

FFIEC 051

CALL REPORT

INSTRUCTION BOOK UPDATE

JUNE 2021

FILING INSTRUCTIONS

NOTE: This update for the instruction book for the FFIEC 051 Call Report 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 for a Bank with Domestic Offices Only and Total Assets Less than \$5 Billion* (FFIEC 051) 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 051 Call Report.

Remove Pages

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Insert Pages

Cover Page (6-21)
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RI-E-1 – RI-E-5(6-21)
RC-C-37– RC-C-40 (3-21) **
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RC-E-5 (6-21)
RC-E-12a– RC-E-14 (6-21)
RC-M-1 – RC-M-2 (6-21)
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RC-R-1 – RC-R-2d (3-21)**
RC-R-2e – RC-R-2f (6-21)
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RC-R-33– RC-R-34 (6-21)
RC-R-35– RC-R-36 (3-21) **
RC-R-53– RC-R-54 (3-21) **
RC-R-59– RC-R-60 (6-21)
RC-R-65– RC-R-66 (3-21) **
RC-R-71– RC-R-74 (3-21) **
RC-R-75 – RC-R-78 (6-21)
A-1 – A-4 (6-21)
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*Do not remove the first page of the instructions for Schedule RC-C, Part II, which is numbered page RC-C-41 (3-17). This page should be retained.

**Updates to these pages are limited solely to formatting edits such as spacing and indentation.

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

FFIEC 051

Updated June 2021

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Item No. Caption and Instructions

- 5.b**
(cont.)
- (8) For deposits to or withdrawals from deposit accounts through the use of automated teller machines or remote service units.
- (9) For the processing of checks drawn against insufficient funds, so-called "NSF check charges," that the institution assesses regardless of whether it decides to pay, return, or hold the check. Exclude subsequent charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest (report in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans").
- (10) For issuing stop payment orders.
- (11) For certifying checks.
- (12) For the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs), Keogh Plan accounts, Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts when not handled by the institution's trust department. Report such commissions and fees received for accounts handled by the institution's trust department in Schedule RI, item 5.a, "Income from fiduciary activities."
- (13) For wire transfer services provided to the institution's depositors.

Exclude penalties paid by depositors for the early withdrawal of time deposits (report as "Other noninterest income" in Schedule RI, item 5.l, or deduct from the interest expense of the related category of time deposits, as appropriate).

5.c Not applicable.

5.d **Income from securities-related and insurance activities.** For items 5.d.(1) and 5.d.(2) below, when an institution partners with, or otherwise joins with, a third party to conduct securities brokerage, investment banking, investment advisory, securities underwriting, insurance and annuity sales, insurance underwriting, or any other securities-related and insurance activities, and any fees and commissions generated by these activities are shared with the third party, the reporting institution should report its share of the fees or commissions in the appropriate subitem of this item 5.d rather than reporting the gross fees and commissions in the appropriate subitem and the third party's share of the fees and commissions in Schedule RI, item 7.d, "Other noninterest expense."

5.d.(1) **Fees and commissions from securities brokerage, investment banking, advisory, and underwriting activities.** Report fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the purchase and sale of securities and money market instruments where the bank is acting as agent for other banks or customers, and from the lending of securities owned by the bank or by bank customers (if these fees and commissions are not included in Schedule RI, item 5.a, "Income from fiduciary activities," or as trading revenue in item 5.l, "Other noninterest income"). However, exclude fees and commissions from the sale of annuities (fixed, variable, and other) to bank customers by the bank or any securities brokerage subsidiary (report such income in Schedule RI, item 5.d.(2), "Income from insurance activities").

Also report fees and commissions from underwriting (or participating in the underwriting of) securities, private placements of securities, investment advisory and management services, merger and acquisition services, and other related consulting fees. Include fees and commissions from the placement of commercial paper, both for transactions issued in the bank's name and transactions in which the bank acts as an agent for a third party issuer.

Item No. Caption and Instructions

5.d.(1) Also include the bank's proportionate share of the income or loss before discontinued operations from its investments in equity method investees that are principally engaged in securities brokerage, investment banking, advisory, or securities underwriting activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.
(cont.)

5.d.(2) **Income from insurance activities.** Report fees and commissions from sales of annuities (fixed, variable, and other) by the bank and any subsidiary of the bank and fees earned from customer referrals for annuities to insurance companies and insurance agencies external to the consolidated bank. Also include management fees earned from annuities.

However, exclude fees and commissions from sales of annuities by the bank's trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity (report in Schedule RI, item 5.a, "Income from fiduciary activities").

Also report the amount of premiums earned by bank subsidiaries engaged in insurance underwriting or reinsurance activities. Include earned premiums from (a) life and health insurance and (b) property and casualty insurance, whether (direct) underwritten business or ceded or assumed (reinsured) business. Insurance premiums should be reported net of any premiums transferred to other insurance underwriters/reinsurers in conjunction with reinsurance contracts.

Report income from insurance product sales and referrals, including:

- (1) Service charges, commissions, and fees earned from insurance sales, including credit, life, health, property, casualty, and title insurance products.
- (2) Fees earned from customer referrals for insurance products to insurance companies and insurance agencies external to the consolidated bank.

Also include management fees earned from separate accounts and universal life products.

Also include the bank's proportionate share of the income or loss before discontinued operations from its investments in equity method investees that are principally engaged in annuity sales, insurance underwriting or reinsurance activities, or insurance product sales and referrals. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

5.e Not applicable.

Item No. Caption and Instructions

- 7.d**
(cont.)
- (31) Expenses (except salaries) related to handling credit card or charge sales received from merchants when the bank does not carry the related loan accounts on its books. Banks are also permitted to net these expenses against their charges to merchants for the bank's handling of these sales in Schedule RI, item 5.i.
 - (32) Expenses related to the testing and training of officers and employees.
 - (33) The cost of bank newspapers and magazines prepared for distribution to bank officers and employees or to others.
 - (34) Depreciation expense of furniture and equipment rented to others under operating leases.
 - (35) Cost of checks provided to depositors.
 - (36) Amortization expense of purchased computer software and of the costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, "Accounting for the Cost of Computer Software to Be Sold, Leased, or Otherwise Marketed").
 - (37) For institutions that have not adopted FASB [Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses, provisions for credit losses on off-balance-sheet credit exposures.
 - (38) Net losses (gains) from the extinguishment of liabilities (debt), including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances. However, if a bank's debt extinguishments normally result in net gains over time, then the bank should consistently report its net gains (losses) in Schedule RI, item 5.i, "Other noninterest income."
 - (39) Automated teller machine (ATM) and interchange expenses from bank card and credit card transactions. (Report the amount of such expenses in Schedule RI-E, item 2.j, if this amount is greater than \$100,000 and exceeds 7 percent of the amount reported in Schedule RI, item 7.d.)
 - (40) The cost components of net benefit cost of defined benefit pension plans and other postretirement plans other than the service cost component of such plans. (Report the service cost component of such plans in Schedule RI, item 7.a, "Salaries and employee benefits.")

Exclude from other noninterest expense:

- (1) Material expenses incurred in the issuance of subordinated notes and debentures (capitalize such expenses and amortize them over the life of the related notes and debentures using the effective interest method and report the expense in Schedule RI, item 2.c, "Other interest expense"). For further information, see the Glossary entry for "Debt issuance costs."

Item No. Caption and Instructions

- 7.d**
(cont.)
- (2) Expenses incurred in the sale of preferred and common stock (deduct such expenses from the sale proceeds and credit the net amount to the appropriate stock account. For perpetual preferred and common stock only, report the net sales proceeds in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net").
- (3) Depreciation and other expenses related to the use of bank-owned automobiles, airplanes, and other vehicles for bank business (report in Schedule RI, item 7.b, "Expenses of premises and fixed assets").
- (4) For institutions that have not adopted FASB [Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses, write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other-than-temporary impairments that must be recognized in earnings (report in Schedule RI, item 6.a, "Realized gains (losses) on held-to-maturity securities," and item 6.b, "Realized gains (losses) on available-for-sale securities," respectively).
- (5) For institutions that have adopted ASU 2016-13:
- (a) Charge-offs of the cost basis of individual held-to-maturity and available-for-sale debt securities resulting from credit losses (report as deductions from the applicable allowance for credit losses in columns B and C, respectively, of Schedule RI-B, Part II, item 3, "Charge-offs"); and
- (b) Any write-off recorded when the fair value of an available-for-sale debt security is less than its amortized cost basis and (i) the institution intends to sell the security or (ii) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis (report in Schedule RI, item 6.b, "Realized gains (losses) on available-for-sale securities").
- (c) Provisions for credit losses on off-balance-sheet credit exposures; (report these provisions in Schedule RI-B, Part II, Memorandum item 7, and include them in Schedule RI, item 4, "Provision for loan and lease losses").
- (6) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option. Except as noted below, institutions should report net decreases (increases) in fair value on such servicing assets and liabilities in Schedule RI, item 5.f, and on such financial assets and liabilities in Schedule RI, item 5.l. Institutions should report the portion of the total change in the fair value of a fair value option liability resulting from a change in the instrument-specific credit risk ("own credit risk") in Schedule RI-A, item 10, "Other comprehensive income." Interest income earned and interest expense incurred on fair value option financial assets and liabilities should be excluded from the net decreases (increases) in fair value and reported in the appropriate interest income or interest expense items on Schedule RI.
- 7.e** **Total noninterest expense.** Report the sum of items 7.a through 7.d.
- 8.a** **Income (loss) before change in net unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations.** Report the institution's pretax income from continuing operations before any change in net unrealized holding gains (losses) on equity securities and other equity investments not held for trading. This amount is determined by taking item 3, "Net interest income"; minus item 4, "Provision for loan and lease losses";¹ plus item 5.m, "Total noninterest income"; plus item 6.a, "Realized gains (losses) on held-to-maturity securities"; plus item 6.b, "Realized gains (losses) on available-for-sale securities"; minus item 7.e, "Total noninterest expense." If the result is negative, report it with a minus (-) sign.

¹ Institutions that have adopted ASU 2016-13 should report provisions for credit losses on all assets and off-balance-sheet credit exposures that fall within the scope of the ASU in Schedule RI, item 4.

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

- 2** **Recoveries.** For an institution that has not adopted ASU 2016-13, report in column A the amount credited to the allowance for loan and lease losses for recoveries during the calendar year-to-date on amounts previously charged against the allowance for loan and lease losses. The amount reported in column A for this item must equal Schedule RI-B, Part I, item 9, column B.

For an institution that has adopted ASU 2016-13, report in columns A, B, and C the amounts credited to the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, for recoveries during the calendar year-to-date on amounts previously charged against these allowances for credit losses. The amount reported in column A for this item must equal Schedule RI-B, Part I, item 9, column B.

- 3** **LESS: Charge-offs.** For an institution that has not adopted ASU 2016-13, report in column A the amount of all loans and leases charged against the allowance for loan and lease losses during the calendar year-to-date. The amount reported in column A for this item must equal Schedule RI-B, Part I, item 9, column A, "Total" charge-offs, less Schedule RI-B, Part II, item 4, "LESS: Write-downs arising from transfers of financial assets."

For an institution that has adopted ASU 2016-13, report in columns A, B, and C the amounts of loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities charged against the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, during the calendar year-to-date. The amount reported in column A for this item must equal Schedule RI-B, Part I, item 9, column A, "Total" charge-offs, less Schedule RI-B, Part II, item 4, column A, "LESS: Write-downs arising from transfers of financial assets."

- 4** **LESS: Write-downs arising from transfers of financial assets.** For an institution that has not adopted ASU 2016-13, report in column A the amount of write-downs to fair value charged against the allowance for loan and lease losses resulting from transfers of loans and leases to a held-for-sale account during the calendar year-to-date that occurred when:
- The reporting institution decided to sell loans and leases that were not originated or otherwise acquired with the intent to sell, and
 - The fair value of those loans and leases had declined for any reason other than a change in the general market level of interest or foreign exchange rates.

For an institution that has adopted ASU 2016-13, report in columns A, B, and C the amounts of write-downs to fair value charged against the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, resulting from transfers of loans and leases to a held-for-sale account (resulting from the events described above), or transfers of held-to-maturity debt securities and available-for-sale debt securities between held-to-maturity, available-for-sale, and trading accounts during the calendar year-to-date.

- 5** **Provisions for credit losses.** For an institution that has not adopted ASU 2016-13, report in column A the amount expensed as the provision for loan and losses during the calendar year-to-date. The provision for loan and lease losses represents the amount needed to make the allowance for loan and lease losses adequate to absorb estimated loan and lease losses, based upon management's evaluation of the bank's current loan and lease exposures. The amount reported in this item must equal Schedule RI, item 4. If the amount reported in this item is negative, report it with a minus (-) sign.

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

5
(cont.) For an institution that has adopted ASU 2016-13, report in columns A, B, and C the amounts expensed as provisions for credit losses (or reversals of provisions) on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, during the calendar year-to-date. Provisions for credit losses (or reversals of provisions) on loans and leases held for investment and held-to-maturity debt securities represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets. Provisions for credit losses (or reversals of provisions) on available-for-sale debt securities represent changes during the calendar year to date in the amount of impairment related to credit losses on individual available-for-sale debt securities. The sum of the amounts reported in item 5, columns A through C, plus Schedule RI-B, Part II, Memorandum items 5, "Provisions for credit losses on other financial assets measured at amortized cost," and 7, "Provisions for credit losses on off-balance-sheet credit exposures, must equal Schedule RI, item 4. If the amount reported in column A, B, or C for this item is negative, report it with a minus (-) sign.

6 **Adjustments.** Report all activity in the allowance for loan and lease losses or the allowances for credit losses, as applicable, that cannot be properly reported in Schedule RI-B, Part II, items 2 through 5, above.

If the reporting institution was acquired in a transaction that became effective during the year-to-date reporting period, retained its separate corporate existence, and elected to apply pushdown accounting in its separate financial statements (including its Consolidated Reports of Condition and Income):

- A reporting institution that has not adopted ASU 2016-13 should report in column A of this item as a negative amount the balance of the allowance for loan and lease losses most recently reported for the end of the previous calendar year, as reported in Schedule RI-B, Part II, item 1, column A, above.
- A reporting institution that has adopted ASU 2016-13 should report as negative amounts in columns A, B, and C of this item the balances of the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, most recently reported for the end of the previous calendar year in Schedule RI-B, Part II, item 1, columns A, B, and C, above. In addition, when applying pushdown accounting, for those financial assets that management has determined to be purchased credit-deteriorated as of the institution's acquisition date, the institution should report as positive amounts in columns A, B, and C of this item, as appropriate, the initial allowance gross-up amounts established as of the acquisition date, which are recorded as an addition to the acquisition-date fair values of these purchased credit-deteriorated assets to determine their initial amortized cost basis.

If the reporting institution was involved in a transaction between entities under common control that became effective during the year-to-date reporting period and has been accounted for in a manner similar to a pooling of interests:

- A reporting institution that has not adopted ASU 2016-13 should report in column A of this item the balance as of the end of the previous calendar year of the allowance for loan and lease losses of the institution or other business that combined with the reporting institution in the common control transaction.
- A reporting institution that has adopted ASU 2016-13 should report in columns A, B, and C of this item the balances as of the end of the previous calendar year of the allowances for credit losses on loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities, respectively, of the institution or other business that combined with the reporting institution in the common control transaction.

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

- 6**
(cont.) A reporting institution that adopted ASU 2016-13 as of an effective date during the year-to-date reporting period should report in columns A, B, and C of this item, as appropriate, changes in allowance amounts from initially applying this ASU to loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. The amount reported for initially applying ASU 2016-13 should be as of the beginning of the fiscal year in which the institution adopts this ASU. The changes in allowance amounts include:
- The initial allowance gross-up amounts for any purchased credit-impaired assets held as of the effective date of ASU 2016-13 that, in accordance with the ASU, are deemed purchased credit-deteriorated assets as of that date; and
 - The calendar year-to-date initial gross-up amounts recognized upon the acquisition of purchased credit-deteriorated assets on or after the effective date.

If the amount reported in this item is negative, report it with a minus (-) sign.

State the dollar amount of and describe the transactions included in this item in Schedule RI-E, Explanations, items 6.a and 6.b, as appropriate.

- 7** **Balance end of current period.** Report in columns A, B, and C the sum of items 1, 2, 5, and 6, less items 3 and 4. The amount reported in column A for this item must equal the allowance amount reported in Schedule RC, item 4.c.

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

1-4 Not applicable.

NOTE: Memorandum items 5, 6, and 7 are to be completed only by institutions that have adopted FASB [Accounting Standards Update No. 2016-13](#), which governs the accounting for credit losses.

- 5 Provisions for credit losses on other financial assets measured at amortized cost (not included in item 5, above).** Report in this item the year-to-date amount of provisions for credit losses (or reversals of provisions) included in Schedule RI, item 4, on financial assets measured at amortized cost other than loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. Provisions for credit losses (or reversals of provisions) on these other financial assets measured at amortized cost represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets.

Exclude provisions for credit losses on off-balance-sheet credit exposures, which are reported in Schedule RI-B, Part II, Memorandum item 7, below.

- 6 Allowances for credit losses on other financial assets measured at amortized cost (not included in item 7, above).** Report in this item the total amount of allowances for credit losses on financial assets measured at amortized cost other than loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities. The allowances to be included in this item are associated with the provisions for credit losses reported in Memorandum item 5, above.

Exclude the allowance for credit losses on off-balance sheet credit exposures, which is reported in Schedule RC-G, item 3.

- 7 Provisions for credit losses on off-balance-sheet credit exposures.** Report in this item the year-to-date amount of provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures included in the amount reported in Schedule RI, item 4. Provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures represent the amounts necessary to adjust the related allowance for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these exposures.

SCHEDULE RI-E – EXPLANATIONS

General Instructions

Items 1 and 2 of Schedule RI-E are to be completed annually on a calendar year-to-date basis in the December report only. Items 3 through 6 of Schedule RI-E are to be completed each quarter on a calendar year-to-date basis.

On those lines for which your bank must provide a description of the amount being reported, the description should not exceed 50 characters (including punctuation and spacing between words). If additional space is needed to complete a description or if your bank, at its option, chooses to briefly describe other significant items affecting the Consolidated Report of Income, item 7 of this schedule may be used. Any amounts reported in Schedule RI-E, item 2.g, "FDIC deposit insurance assessments," for report dates beginning June 30, 2009, will not be made available to the public on an individual institution basis.

Item Instructions

Item No. Caption and Instructions

- 1** **Other noninterest income.** Disclose in items 1.a through 1.j each component of Schedule RI, item 5.l, "Other noninterest income," and the dollar amount of such component, that is greater than \$100,000 and exceeds 7 percent of the "Other noninterest income." If net losses have been reported in Schedule RI, item 5.l, for a component of "Other noninterest income," use the absolute value of such net losses to determine whether the amount of the net losses is greater than \$100,000 and exceeds 7 percent of "Other noninterest income" and should be reported in this item. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) If net losses are reported in this item, report them with a minus (-) sign.

Preprinted captions have been provided for the following categories of "Other noninterest income":

- Item 1.a, "Income and fees from the printing and sale of checks,"
- Item 1.b, "Earnings on/increase in value of cash surrender value of life insurance,"
- Item 1.c, "Income and fees from automated teller machines (ATMs),"
- Item 1.d, "Rent and other income from other real estate owned,"
- Item 1.e, "Safe deposit box rent,"
- Item 1.f, "Bank card and credit card interchange fees," and
- Item 1.g "Income and fees from wire transfers not reportable as service charges on deposit accounts."

General descriptions of the components of "Other noninterest income," including those for which preprinted captions have been provided in items 1.a through 1.g, are included in the instructions for Schedule RI, item 5.l. However, institutions need not adjust their internal noninterest income definitions to match the agencies' descriptions in the item 5.l instructions. Rather, institutions may report the components of their "Other noninterest income" in items 1.a through 1.j using their internal definitions, provided the internal definitions are used consistently over time.

For other components of "Other noninterest income" that exceed the disclosure threshold, list and briefly describe these components in items 1.h through 1.j and, if necessary, in Schedule RI-E, item 7, below.

Item No. Caption and Instructions

1
(cont.) For components of “Other noninterest income” that reflect a single credit for separate “bundled services” provided through third party vendors, disclose such amounts in the item that most closely describes the predominant type of income earned, and this categorization should be used consistently over time.

2 **Other noninterest expense.** Disclose in items 2.a through 2.p each component of Schedule RI, item 7.d, “Other noninterest expense,” and the dollar amount of such component, that is greater than \$100,000 and exceeds 7 percent of the “Other noninterest expense.” If net gains have been reported in Schedule RI, item 7.d, for a component of “Other noninterest expense,” use the absolute value of such net gains to determine whether the amount of the net gains is greater than \$100,000 and exceeds 7 percent of “Other noninterest expense” and should be reported in this item. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) If net gains are reported in this item, report them with a minus (-) sign.

Preprinted captions have been provided for the following components of “Other noninterest expense”:

- Item 2.a, “Data processing expenses,”
- Item 2.b, “Advertising and marketing expenses,”
- Item 2.c, “Directors’ fees,”
- Item 2.d, “Printing, stationery, and supplies,”
- Item 2.e, “Postage,”
- Item 2.f, “Legal fees and expenses,”
- Item 2.g, “FDIC deposit insurance assessments,”
- Item 2.h, “Accounting and auditing expenses,”
- Item 2.i, “Consulting and advisory expenses,”
- Item 2.j, “Automated teller machine (ATM) and interchange expenses,”
- Item 2.k, “Telecommunications expenses,”
- Item 2.l, “Other real estate owned expenses,” and
- Item 2.m, “Insurance expenses (not included in employee expenses, premises and fixed asset expenses, and other real estate owned expenses).”

General descriptions of the components of “Other noninterest expense,” including those for which preprinted captions have been provided in items 2.a through 2.m, are included in the instructions for Schedule RI, item 7.d. However, institutions need not adjust their internal noninterest expense definitions to match the agencies’ descriptions in the item 7.d instructions. Rather, institutions may report the components of their “Other noninterest expense” in items 2.a through 2.p using their internal definitions, provided the internal definitions are used consistently over time.

For other components of “Other noninterest expense” that exceed the disclosure threshold, list and briefly describe these components in items 2.n through 2.p and, if necessary, in Schedule RI-E, item 7, below.

For components of “Other noninterest expense” that reflect a single charge for separate “bundled services” provided by third party vendors, disclose such amounts in the item that most closely describes the predominant type of expense incurred, and this categorization should be used consistently over time.

Item No. Caption and Instructions

- 3 Discontinued operations and applicable income tax effect.** List and briefly describe in items 3.a and 3.b the gross dollar amount of the results of each of the discontinued operations included in Schedule RI, item 11, "Discontinued operations, net of applicable income taxes," and its related income tax effect, if any. If Schedule RI, item 11, includes the results of more than two discontinued operations, report the additional items and their related tax effects in Schedule RI-E, item 7, below.

If the results of discontinued operations are a loss, report the dollar amount with a minus (-) sign. If an applicable income tax effect is a tax benefit (rather than a tax expense), report the dollar amount with a minus (-) sign.

- 4 Cumulative effect of changes in accounting principles and corrections of material accounting errors.** Disclose in items 4.a through 4.d the dollar amount of the cumulative effect of each change in accounting principle and correction of a material accounting error, net of applicable income taxes, that is included in Schedule RI-A, item 2.

If the cumulative effect of an accounting principle change or an accounting error correction represents a reduction of the bank's equity capital, report the dollar amount with a minus (-) sign.

Preprinted captions have been provided for the following accounting principle changes:

- Item 4.a, "Effect of adoption of current expected credit losses methodology – ASU 2016-13," and
- Item 4.b, "Effect of adoption of lease accounting standard – ASC Topic 842."

In item 4.a, report the cumulative-effect adjustment included in Schedule RI-A, item 2, for the changes in the allowances for credit losses, net of applicable income taxes, recognized in retained earnings as of the beginning of the fiscal year in which the institution adopts FASB [Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses. Exclude the initial allowance gross-up amounts for any purchased credit-impaired assets held as of the effective date of ASU 2016-13 that, in accordance with the ASU, are deemed purchased credit-deteriorated assets as of that date (report the initial allowance gross-up amounts for loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities in the appropriate column of Schedule RI-B, Part II, item 6, and in the aggregate in Schedule RI-E, item 6.b). Institutions that have not adopted ASU 2016-13 should leave item 4.a blank.

In item 4.b, report the adjustment to bank equity capital included in Schedule RI-A, item 2, resulting from the initial application of ASC Topic 842, Leases, net of applicable income taxes, as of the beginning of the fiscal year in which the institution adopts this accounting standard. Institutions that have not adopted ASC Topic 842 should leave item 4.b blank.

For other accounting principle changes and accounting error corrections included in Schedule RI-A, item 2, list and briefly describe in items 4.c and 4.d the dollar amount of the cumulative effect of each change in accounting principle and correction of a material accounting error, net of applicable income taxes. If Schedule RI-A, item 2, includes more than two accounting principle changes and accounting error corrections (other than the accounting principle changes reported in items 4.a and 4.b), report the cumulative effect of each additional accounting principle change and accounting error correction in Schedule RI-E, item 7, below.

Item No. Caption and Instructions

- 5 Other transactions with stockholders (including a parent holding company).** List and briefly describe in items 5.a and 5.b the dollar amount of each type of other transaction with the reporting institution's stockholders, including its parent holding company, if any, that is included in Schedule RI-A, item 11. If Schedule RI-A, item 11, includes more than two types of other transactions, report the additional types of other transactions in Schedule RI-E, item 7, below.

If the effect of a type of other transaction with the reporting institution's stockholders, including a parent holding company, if any, is to reduce the institution's equity capital, report the dollar amount with a minus (-) sign.

- 6 Adjustments to allowances for credit losses.** Disclose in items 6.a through 6.d the dollar amount of each type of adjustment to allowances for credit losses on loans and leases, held-to-maturity debt securities, and available-for-sale debt securities that is included in Schedule RI-B, Part II, item 6, columns A, B, and C, respectively.

If the effect of an adjustment is to reduce the bank's allowances for credit losses, report the dollar amount with a minus (-) sign.

Preprinted captions have been provided for the following adjustments to allowances for credit losses:

- Item 6.a, "Initial allowances for credit losses recognized upon the acquisition of purchased credit-deteriorated assets on or after the effective date of ASU 2016-13," and
- Item 6.b, "Effect of adoption of current expected credit losses methodology on allowances for credit losses."

In item 6.a, institutions that have adopted FASB [Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses, should report the initial allowance gross-up amounts recognized on purchased credit-deteriorated assets that are included in Schedule RI-B, Part II, item 6, columns A, B, and C.

Institutions that adopted ASU 2016-13 as of an effective date during the year-to-date reporting period should include the following in the amounts reported:

- The initial allowance gross-up amounts for any purchased credit-impaired assets held as of the effective date of ASU 2016-13 that, in accordance with the ASU, are deemed purchased credit-deteriorated assets as of that date; and
- The calendar year-to-date initial gross-up amounts recognized upon the acquisition of purchased credit-deteriorated assets acquired on or after the effective date.

Institutions that adopted ASU 2016-13 as of an effective date in a prior calendar year should report in this item the year-to-date initial gross-up amounts recognized upon the acquisition of purchased credit-deteriorated assets acquired in the calendar year.

Exclude post-acquisition changes in the allowances for credit losses on purchased credit-deteriorated loans and leases, held-to-maturity debt securities, and available-for-sale debt securities (report such changes as provisions for credit losses in Schedule RI-B, Part II, item 5, columns A, B, and C, respectively). Institutions that have not adopted ASU 2016-13 should leave item 6.a blank.

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(cont.) In item 6.b, institutions that have adopted ASU 2016-13 should report the changes in allowance amounts from initially applying ASU 2016-13 to loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities as of the beginning of the fiscal year in which the institution adopts this ASU. These changes in allowance amounts include the initial allowance gross-up amounts for any purchased credit-impaired assets held as of the effective date of ASU 2016-13 that, in accordance with the ASU, are deemed purchased credit-deteriorated assets as of that date (also included in item 6.a, above).

Exclude the gross-up related to purchased credit-deteriorated assets acquired on or after the effective date captured in item 6.a, above. Institutions that have not adopted ASU 2016-13 should leave item 6.b blank.

Institutions that have not adopted ASU 2016-13 should list and briefly describe in items 6.c and 6.d the dollar amount of each type of adjustment to the allowance for loan and lease losses included in Schedule RI-B, Part II, item 6, column A.

Institutions that have adopted ASU 2016-13 should list and briefly describe in items 6.c and 6.d the dollar amount of each type of adjustment to allowances for credit losses included in Schedule RI-B, Part II, item 6, columns A, B, and C, that is not reported in items 6.a or 6.b.

If Schedule RI-B, Part II, item 6, includes more than two types of adjustments (other than the adjustments reported in items 6.a and 6.b), report the additional adjustments in Schedule RI-E, item 7, below.

7 **Other explanations.** In the space provided on the report form, the bank may, at its option, list and briefly describe any other significant items relating to the Consolidated Report of Income. The bank's other explanations must not exceed 750 characters, including punctuation and standard spacing between words and sentences.

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

- 13 Construction, land development, and other land loans with interest reserves.**
 Memorandum items 13.a and 13.b are to be completed by banks that had construction, land development, and other land loans (in domestic offices) (as reported in Schedule RC-C, Part I, items 1.a.(1) and 1.a.(2), column B) that exceeded the sum of tier 1 capital (as reported in Schedule RC-R, Part I, item 26) plus the allowance for loan and lease losses or the allowance for credit losses on loans and leases, as applicable (as reported in Schedule RC, item 4.c), as of the previous December 31. For purposes of Memorandum items 13, 13.a, and 13.b, construction, land development, and other land loans are hereafter referred to as "construction loans."

When a bank enters into a loan agreement with a borrower on a construction loan, an interest reserve is often included in the amount of the loan commitment to the borrower and it allows the lender to periodically advance loan funds to pay interest charges on the outstanding balance of the loan. The interest is capitalized and added to the loan balance.

- 13.a Amount of loans that provide for the use of interest reserves.** Report the amount of construction loans included in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B, for which the loan agreement with the borrower provides for the use of interest reserves.

If a construction loan included in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B, has been fully advanced or the funds budgeted for interest have been fully advanced, but the loan agreement provided for the use of interest reserves, continue to report the loan in this item even if the borrower is now paying interest from other sources of funds. Similarly, if a construction loan included in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B, has been renewed or extended, but the original loan agreement provided for the use of interest reserves, continue to report the loan in this item.

Include in this item new construction loans (as defined for and reported in Schedule RC-C, part I, items 1.a.(1) and 1.a.(2), column B) that have been granted for the purpose of paying interest on existing construction loans (in domestic offices) when the new construction loan is secured by the same real estate that secures the existing construction loan.

- 13.b Amount of interest capitalized from interest reserves on construction, land development, and other land loans that is included in interest and fee income on loans during the quarter.** Report the amount of interest advanced to borrowers on construction loans (as defined for Schedule RC-C, Part I, item 1.a) that has been capitalized into the borrowers' loan balances through the use of interest reserves (including interest advanced on new construction loans granted for the purpose of paying interest on existing construction loans when the loans are secured by the same real estate) and included in interest and fee income during the quarter on "All other loans secured by real estate" (Schedule RI, item 1.a.(1)(b)). The amount of capitalized interest included in interest income during the quarter should be reduced by amounts reversed against interest during the quarter.

- 14 Pledged loans and leases.** Report the amount of all loans and leases included in Schedule RC-C, Part I, above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the loans and leases are pledged) or for any other purpose. Include loans and leases that have been transferred in transactions that are accounted for as secured borrowings with a

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

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(cont.) pledge of collateral because they do not qualify as sales under 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). Also include loans and leases held for sale or investment by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs. (Such loans and leases should also be reported in Schedule SU, item 7.a). In general, the pledging of loans and leases is the act of setting aside certain loans and leases to secure or collateralize bank transactions with the bank continuing to own the loans and leases unless the bank defaults on the transaction.

When a bank is subject to a blanket lien arrangement or has otherwise pledged an entire portfolio of loans to secure its Federal Home Loan Bank advances, it should report the amount of the entire portfolio of loans subject to the blanket lien in this item. Any loans within the portfolio that have been explicitly excluded or specifically released from the lien and that the bank has the right, without constraint, to repledge to another party should not be reported as pledged in this item. However, if any such loans have been repledged to another party, they should be reported in this item.

NOTE: Memorandum item 15 is to be completed for the December report only.

15 **Reverse mortgages.** A reverse mortgage is an arrangement in which a homeowner borrows against the equity in his or her home and receives cash either in a lump sum or through periodic payments. However, unlike a traditional mortgage loan, no payment is required until the borrower no longer uses the home as his or her principal residence. Cash payments to the borrower after closing, if any, and accrued interest are added to the principal balance. These loans may have caps on their maximum principal balance or they may have clauses that permit the cap on the maximum principal balance to be increased under certain circumstances. The reverse mortgage market currently consists 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 in the appropriate subitem the specified information about the bank's involvement with reverse mortgages.

15.a **Reverse mortgages outstanding that are held for investment.** Report in the appropriate subitem 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.a.(1) **Home Equity Conversion Mortgage (HECM) reverse mortgages.** Report the amount of HECM 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."

15.a.(2) **Proprietary reverse mortgages.** Report the amount of 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."

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

- 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 in the appropriate subitem 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 these subitems.

- 15.b.(1)** **Home Equity Conversion Mortgage (HECM) reverse mortgages.** Report a reasonable estimate of the number of HECM reverse mortgages for which the bank received compensation for services performed during the year in connection with the origination of HECM reverse mortgages granted to customers that the bank has referred to the reverse mortgage lenders.
- 15.b.(2)** **Proprietary reverse mortgages.** Report a reasonable estimate of the number of proprietary reverse mortgages for which the bank received compensation for services performed during the year in connection with the origination of proprietary reverse mortgages granted to customers that the bank has referred to the reverse mortgage lenders.
- 15.c** **Principal amount of reverse mortgage originations that have been sold during the year.** Report in the appropriate subitem 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.
- 15.c.(1)** **Home Equity Conversion Mortgage (HECM) reverse mortgages.** Report the principal amount of HECM reverse mortgages sold during the year that were originated by the bank.
- 15.c.(2)** **Proprietary reverse mortgages.** Report the principal amount of proprietary reverse mortgages sold during the year that were originated by the bank.

NOTE: Memorandum item 16 is to be completed semiannually in the June and December reports only.

- 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.

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

- 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.

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.

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

- 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.

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SCHEDULE RC-E – DEPOSIT LIABILITIES

General Instructions

A complete discussion of deposits is included in the Glossary entry entitled "deposits." That discussion addresses the following topics and types of deposits in detail:

- (1) [Federal Deposit Insurance Act definition of deposits](#);
- (2) transaction accounts;
- (3) demand deposits;
- (4) NOW accounts;
- (5) ATS accounts;
- (6) telephone or preauthorized transfer accounts;
- (7) nontransaction accounts;
- (8) savings deposits;
- (9) money market deposit accounts;
- (10) other savings deposits;
- (11) time deposits;
- (12) time certificates of deposit;
- (13) time deposits, open account;
- (14) interest-bearing deposit accounts; and
- (15) noninterest-bearing deposit accounts.

Additional discussions pertaining to deposits will also be found under separate Glossary entries for:

- (1) brokered deposits;
- (2) cash management arrangements;
- (3) dealer reserve accounts;
- (4) hypothecated deposits;
- (5) letter of credit (for letters of credit sold for cash and travelers letters of credit);
- (6) overdraft;
- (7) pass-through reserve balances; and
- (8) reciprocal balances.

NOTE: For information about the reporting of deposits for deposit insurance assessment purposes, refer to Schedule RC-O.

NOTE: For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through agent for balances maintained to satisfy reserve balance requirements, see the Glossary entry for "pass-through reserve balances."

NOTE: For banks that elect to report deposits at fair value under a fair value option, report the fair value of those deposits in the same items and columns as similar deposits to which a fair value option has not been applied. Currently, deposits that include a demand feature (e.g., demand and savings deposits) are not eligible to be reported under a fair value election.

Definitions

The term "deposits" is defined in the Glossary and generally follows the definitions of deposits used in the Federal Deposit Insurance Act and in [Federal Reserve Regulation D](#).

Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis in accordance with generally accepted accounting principles.

The following are not reported as deposits in Schedule RC-E:

- (1) Deposits received in one office of the bank for deposit in another office of the bank.
- (2) Outstanding drafts (including advices or authorizations to charge the bank's balance in another depository institution) drawn in the regular course of business by the reporting bank on other depository institutions.
- (3) Trust funds held in the bank's own trust department that the bank keeps segregated and apart from its general assets and does not use in the conduct of its business. NOTE: Such uninvested trust funds must be reported as deposit liabilities in Schedule RC-O, item 1.
- (4) Deposits accumulated for the payment of personal loans (i.e., hypothecated deposits), which should be netted against loans in Schedule RC-C, Loans and Lease Financing Receivables.
- (5) All obligations arising from assets sold under agreements to repurchase.
- (6) Overdrafts in deposit accounts. Overdrafts are to be reported as loans in Schedule RC-C and not as negative deposits. Overdrafts in one or more transaction accounts within a group of related transaction accounts of a single type (i.e., demand deposit accounts or NOW accounts, but not a combination thereof) maintained in the same right and capacity by a customer (a single legal entity) that are established under a bona fide cash management arrangement by this customer are not to be classified as loans unless there is a net overdraft position in the group of related transaction accounts taken as a whole. For reporting and deposit insurance assessment purposes, such accounts function as, and are regarded as, one account rather than multiple separate accounts. (NOTE: Affiliates and subsidiaries are considered separate legal entities.) See the Glossary entry for "cash management arrangements" for information on bona fide cash management arrangements.
- (7) Time deposits sold (issued) by the reporting bank that it has subsequently purchased in the secondary market (typically as a result of the bank's trading activities) and has not resold as of the report date. For purposes of these reports, a bank that purchases a time deposit it has issued is regarded as having paid the time deposit prior to maturity. The effect of the transaction is that the bank has cancelled a liability as opposed to having acquired an asset for its portfolio.
- (8) Cash payments received in connection with transfers of the reporting institution's other real estate owned that have been financed by the institution and do not qualify for sale accounting, which applicable accounting standards describe as a "liability," a "deposit," or a "deposit liability." Until a transfer qualifies for sale accounting, these cash payments shall be reported in Schedule RC-G, item 4, "All other liabilities." See the Glossary entry for "foreclosed assets" for further information.

The following are reported as deposits:

- (1) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department of the reporting bank other than the trust department.
- (2) Credit items that could not be posted to the individual deposit accounts but that have been credited to the control accounts of the various deposit categories on the general ledger.

Definitions (cont.)

- (3) Credit items not yet posted to deposit accounts that are carried in suspense or similar nondeposit accounts and are material in amount. As described in the Glossary entry for "suspense accounts," the items included in such accounts should be reviewed and material amounts reported in the appropriate balance sheet accounts. NOTE: Regardless of whether deposits carried in suspense accounts have been reclassified as deposits and reported in Schedule RC-E, they must be reported as deposit liabilities in Schedule RC-O, items 1 and 4.
- (4) Escrow funds.
- (5) Payments collected by the bank on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.
- (6) Credit balances resulting from customers' overpayments of account balances on credit cards and other revolving credit plans.
- (7) Funds received or held in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting bank only when it has been advised that the checks or drafts have been presented).
- (8) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by the reporting bank, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by the reporting bank, until the amount of the checks is remitted to another party.
- (9) Checks drawn by the reporting bank on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank.
- (10) Refundable loan commitment fees received or held by the reporting bank prior to loan closing.
- (11) Refundable stock subscription payments received or held by the reporting bank prior to the issuance of the stock. (Report nonrefundable stock subscription payments in Schedule RC-G, item 4, "All other liabilities.")
- (12) Improperly executed repurchase agreement sweep accounts (repo sweeps). According to [Section 360.8 of the FDIC's regulations](#), an "internal sweep account" is "an account held pursuant to a contract between an insured depository institution and its customer involving the pre-arranged, automated transfer of funds from a deposit account to . . . another account or investment vehicle located within the depository institution." When a repo sweep from a deposit account is improperly executed by an institution, the customer obtains neither an ownership interest in identified assets subject to a repurchase agreement nor a perfected security interest in the applicable assets. In this situation, the institution should report the swept funds as deposit liabilities, not as repurchase agreements.
- (13) The unpaid balance of money received or held by the reporting institution that the reporting institution promises to pay pursuant to an instruction received through the use of a card, or other payment code or access device, issued on a prepaid or prefunded basis.

In addition, the gross amount of debit items ("throw-outs," "bookkeepers' cutbacks," or "rejects") that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason (e.g., stop payment, missing endorsement, post or stale date, or account closed), but which have been

Definitions (cont.)

charged to the control accounts of the various deposit categories on the general ledger, should be credited to (added back to) the appropriate deposit control totals and reported in Schedule RC-F, item 6, "All other assets."

The distinction between transaction and nontransaction accounts is discussed in detail in the Glossary entry for "Deposits."

Deposits defined in [Regulation D](#) as transaction accounts include demand deposits, NOW accounts, telephone and preauthorized transfer accounts, and savings deposits. However, for Call Report purposes, savings deposits are classified as a type of nontransaction account.

For institutions that have suspended the six transfer limit on an account that meets the definition of a savings deposit, please see the "Treatment of Accounts where Reporting Institutions Have Suspended Enforcement of the Six Transfer Limit per [Regulation D](#)" in the Glossary entry for "Deposits" for further details on reporting savings deposits.

Column Instructions

Deposits as summarized above are divided into two general categories, "Transaction Accounts" (columns A and B) and "Nontransaction Accounts (including MMDAs)" (column C).

Column A – Total transaction accounts. Report in column A the total of all transaction accounts as defined in the Glossary entry for "Deposits." With the exceptions noted in the item instructions and the Glossary entry, the term "transaction account" is defined as a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making third party payments or transfers to third persons or others, or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Column B - Memo: Total demand deposits. Report in item 7, column B, the total of all demand deposits, both interest-bearing and noninterest-bearing. Also include any matured time or savings deposits without automatic renewal provisions, unless the deposit agreement specifically provides for the funds to be transferred at maturity to another type of account (i.e., other than a demand deposit). (See the Glossary entry for "Deposits.")

NOTE: Demand deposits are, of course, one type of transaction account. Therefore, the amount reported in item 7, column B, should be included by category of depositor in the breakdown of transaction accounts by category of depositor that is reported in column A.

Column C - Total nontransaction accounts (including MMDAs). Report in column C nontransaction accounts as defined in the Glossary entry for "Deposits." Include in column C all interest-bearing and noninterest-bearing savings deposits and time deposits together with all interest paid by crediting savings and time deposit accounts.

Item Instructions

In items 1 through 6 of Schedule RC-E, banks report separate breakdowns of their transaction and nontransaction accounts by category of depositor. When reporting brokered deposits in these items, the funds should be categorized as deposits of "Individuals, partnerships, and corporations," "States and political subdivisions in the U.S.," or "Commercial banks and other depository institutions in the U.S." based on the beneficial owners of the funds that the broker has placed in the bank. However, if this information is not readily available to the issuing bank for certain brokered deposits because current deposit insurance rules do not require the deposit broker to provide information routinely on the beneficial owners of the deposits and their account ownership capacity to the bank issuing the deposits, these brokered deposits may be rebuttably presumed to be deposits of "Individuals, partnerships, and corporations" and reported in Schedule RC-E, item 1, below. For further information, see the Glossary entry for "brokered deposits."

Item No. Caption and Instructions

- 1 Deposits of individuals, partnerships, and corporations (include all certified and official checks).** Report in the appropriate column all deposits of individuals, partnerships, and corporations, wherever located, and all certified and official checks.

Include in this item:

- (1) Deposits related to the personal, household, or family activities of both farm and nonfarm individuals and to the business activities of sole proprietorships.
- (2) Deposits of corporations and organizations (other than depository institutions), regardless of whether they are operated for profit, including but not limited to:
 - (a) mutual funds and other nondepository financial institutions;
 - (b) foreign government-owned nonbank commercial and industrial enterprises; and
 - (c) quasi-governmental organizations such as post exchanges on military posts and deposits of a company, battery, or similar organization (unless the reporting bank has been designated by the U.S. Treasury as a depository for such funds and appropriate security for the deposits has been pledged, in which case, report in Schedule RC-E, item 2).
- (3) Dealer reserve accounts (see the Glossary entry for "dealer reserve accounts" for the definition of this term).
- (4) Deposits of U.S. Government agencies and instrumentalities such as the:
 - (a) Banks for Cooperatives,
 - (b) Export-Import Bank of the U.S.,
 - (c) Federal Deposit Insurance Corporation,
 - (d) Federal Financing Bank,
 - (e) Federal Home Loan Banks,
 - (f) Federal Home Loan Mortgage Corporation,
 - (g) Federal Intermediate Credit Banks,
 - (h) Federal Land Banks,
 - (i) Federal National Mortgage Association,
 - (j) National Credit Union Administration Central Liquidity Facility, and
 - (k) National Credit Union Share Insurance Fund.

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Memoranda**Item No. Caption and Instructions**

1.b subject to the special cap, it does not subsequently receive reciprocal deposits that cause
(cont.) the total amount of reciprocal deposits to exceed the special cap and the institution
 satisfies all other qualifications necessary to be an agent institution.

If an institution, subject to the *special cap*, receives reciprocal deposits that cause its total reciprocal deposits to be greater than the *special cap*, the institution will no longer meet the definition of "agent institution" and all of its reciprocal deposits should be reported as brokered deposits in this Memorandum item 1.b (and as brokered reciprocal deposits in Schedule RC-O, item 9, and, if applicable, item 9.a) and as total reciprocal deposits in Schedule RC-E, Memorandum item 1.g.

An institution shall consider the effective date of a CAMELS composite rating to be the date of written notification to the institution by its primary federal regulator, or state authority, of its supervisory rating.

An institution that is not well capitalized or that has composite supervisory rating of other than outstanding (CAMELS "1") or good (CAMELS "2") as of the quarter-end date of the Call Report for which the institution is filing shall calculate the special cap by:

- (1) Determining the most recent calendar quarter in which the institution was both well capitalized and had a composite CAMELS rating of "1" or "2" at quarter-end.
- (2) Calculating the average of the total amount of reciprocal deposits held by the institution on the last day of the calendar quarter determined above (in the preceding step) and on each of the three preceding calendar quarters.

To illustrate how an institution should calculate the special cap, consider the examples after the instructions to Schedule RC-E, Memorandum item 7.

1.c **Brokered deposits of \$250,000 or less (fully insured brokered deposits).** Report in this
item all fully insured brokered deposits (as defined in the Glossary entry for "brokered
deposits") included in Schedule RC-E, Memorandum item 1.b, above. Include brokered
deposits with balances of \$250,000 or less and time deposits issued to deposit brokers in the
form of certificates of deposit of more than \$250,000 that have been participated out by the
broker in shares with balances of \$250,000 or less.

In some cases, brokered certificates of deposit are issued in \$1,000 amounts under a master certificate of deposit issued by a bank to a deposit broker in an amount that exceeds \$250,000. For these so-called "retail brokered deposits," multiple purchases by individual depositors from an individual bank normally do not exceed the applicable deposit insurance limit (currently \$250,000), but under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in \$1,000 amounts may be rebuttably presumed to be fully insured brokered deposits and should be reported in this item. In addition, some brokered deposits are transaction accounts or money market deposit accounts (MMDAs) that are denominated in amounts of \$0.01 and established and maintained by the deposit broker (or its agent) as agent, custodian, or other fiduciary for the broker's customers. An individual depositor's deposits within the brokered transaction account or MMDA normally do not exceed the applicable deposit insurance limit. As with retail brokered deposits, if information on these depositors and their account ownership capacity is not readily available to the bank establishing the transaction account or MMDA,

Memoranda**Item No. Caption and Instructions**

1.c the amounts in the transaction account or MMDA may be rebuttably presumed to be fully
(cont.) insured brokered deposits and should be reported in this item.

The dollar amount used as the basis for reporting fully insured brokered deposits in this Memorandum item reflects the deposit insurance limit in effect on the report date. At present, the limit is \$250,000.

1.d **Maturity data for brokered deposits.** Report in the appropriate subitem the indicated maturity data for brokered deposits (as defined in the Glossary entry for "brokered deposits") included in Schedule RC-E, Memorandum item 1.b, above.

1.d.(1) **Brokered deposits of \$250,000 or less with a remaining maturity of one year or less.**
Report in this item those brokered time deposits with balances of \$250,000 or less reported in Schedule RC-E, Memorandum item 1.c, above that have a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Also report in this item all brokered demand and savings deposits with balances of \$250,000 or less that were reported in Schedule RC-E, Memorandum item 1.c, above.

1.d.(2) Not applicable.

1.d.(3) **Brokered deposits of more than \$250,000 with a remaining maturity of one year or less.**
Report in this item those brokered time deposits with balances of more than \$250,000 reported in Schedule RC-E, Memorandum item 1.b, above that have a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Also report in this item all brokered demand and savings deposits with balances of more than \$250,000 that were reported in Schedule RC-E, Memorandum item 1.b, above.

1.e **Preferred deposits.** (This item is to be reported for the December 31 report only.)
Report in this item all deposits of states and political subdivisions in the U.S. included in Schedule RC-E, item 3, columns A and C above, which are secured or collateralized as required under state law. Exclude deposits of the U.S. Government which are secured or collateralized as required under federal law. Also exclude deposits of trust funds which are secured or collateralized as required under state law unless the beneficiary is a state or political subdivision in the U.S. The amount reported in this memorandum item must be less than the sum of Schedule RC-E, item 3, column A, and item 3, column C, above.

State law may require a bank to pledge securities (or other readily marketable assets) to cover the uninsured portion of the deposits of a state or political subdivision. If the bank has pledged securities with a value that exceeds the amount of the uninsured portion of the state or political subdivision's deposits, only the uninsured amount (and none of the insured portion of the deposits) should be reported as a "preferred deposit." For example, a political subdivision has \$450,000 in deposits at a bank which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits (\$200,000 in this example). The bank has pledged securities with a value of \$300,000 to secure these deposits. Only the \$200,000 uninsured amount of the political subdivision's \$450,000 in deposits, given the currently applicable \$250,000 deposit insurance limit, would be considered "preferred deposits."

Memoranda**Item No. Caption and Instructions**

1.e
(cont.) In other states, banks must participate in a state public deposits program in order to receive deposits from the state or from political subdivisions within the state in amounts that would not be covered by federal deposit insurance. Under state law in such states, the value of the securities a bank must pledge to the state is calculated annually, but represents only a percentage of the uninsured portion of its public deposits. Institutions participating in the state program may potentially be required to share in any loss to public depositors incurred in the failure of another participating institution. As long as the value of the securities pledged to the state exceeds the calculated requirement, all of the bank's uninsured public deposits are protected from loss under the operation of the state program if the bank fails and, therefore, all of the uninsured public deposits are considered "preferred deposits." For example, a bank participating in a state public deposits program has \$1,600,000 in public deposits under the program from four political subdivisions and \$700,000 of this amount is uninsured, given the currently applicable \$250,000 deposit insurance limit. The bank's most recent calculation indicates that it must pledge securities with a value of at least \$77,000 to the state in order to participate in the state program. The bank has pledged securities with an actual value of \$80,000. The bank should report the \$700,000 in uninsured public deposits as "preferred deposits."

1.f **Estimated amount of deposits obtained through the use of deposit listing services that are not brokered deposits.** Report in this Memorandum item the estimated amount of all nonbrokered deposits obtained through the use of deposit listing services included in total deposits (Schedule RC-E, sum of item 7, columns A and C), regardless of size or type of deposit instrument.

The objective of this Memorandum item is not to capture all deposits obtained through the Internet, such as deposits that a bank receives because a person or entity has seen the rates the bank has posted on its own Web site or on a rate-advertising Web site that has picked up and posted the bank's rates on its site without the bank's authorization. Rather, the objective of this Memorandum item is to collect the estimated amount of deposits obtained as a result of action taken by the bank to have its deposit rates listed by a listing service, and the listing service is compensated for this listing either by the bank whose rates are being listed or by the persons or entities who view the listed rates. A bank should establish a reasonable and supportable estimation process for identifying listing service deposits that meet these reporting parameters and apply this process consistently over time. However, for those nonbrokered deposits acquired through the use of a deposit listing service that offers deposit tracking, the actual amount of listing service deposits, rather than an estimate, should be reported.

When a nonbrokered time deposit obtained through the use of a deposit listing service is renewed or rolled over at maturity, the time deposit should continue to be reported in this item as a listing service deposit if the reporting institution continues to have its time deposit rates listed by a listing service and the listing service is compensated for this listing as described above. In contrast, if the reporting institution no longer has its time deposit rates listed by a listing service when a nonbrokered listing service time deposit matures and is renewed or rolled over by the depositor, the time deposit would no longer need to be reported as a listing service deposit after the renewal or rollover. The reporting institution should continue to report nonbrokered listing service deposits other than time deposits in this item as long as the reporting institution continues to have its deposit rates for the same type of deposit (e.g., NOW account, money market deposit account) listed by a listing service and the listing service is compensated for this listing as described above.

Memoranda**Item No. Caption and Instructions**

1.f
(cont.) If the reporting institution has merged with or acquired another institution that had obtained nonbrokered deposits through the use of deposit listing services, these deposits would continue to be regarded as listing service deposits after the merger or acquisition. In this situation, the reporting institution should determine whether it must continue to report these deposits as listing service deposits after the merger or acquisition in accordance with the guidance in the preceding paragraph.

Exclude from this item all brokered deposits reported in Schedule RC-E, Memorandum item 1.b.

A deposit listing service is a company that compiles information about the interest rates offered on deposits, such as certificates of deposit, by insured depository institutions. A particular company could be a deposit listing service (compiling information about certificates of deposits) as well as a deposit broker (facilitating the placement of deposits). A deposit listing service is not a deposit broker if it does not meet the “deposit broker” definition and notably the criteria under 12 CFR 337.6(a)(5)(iii) for when a person is considered “engaged in the business of facilitating the placement of deposits”:

- (1) The listing service does not have legal authority, contractual or otherwise, to close the account or move the third party’s funds to another insured depository institution;
- (2) The listing service is not involved in negotiating or setting rates, fees, terms, or conditions for the deposit account; or
- (3) The listing service is not engaged in matchmaking activities as defined in 12 CFR 337.6(a)(5)(iii)(C)(1).

1.g **Total reciprocal deposits.** Report in this Memorandum item the total amount of the reporting institution’s reciprocal deposits as of the report date that are included in the institution’s total deposits (Schedule RC-E, sum of item 7, columns A and C). As defined in [Section 337.6\(e\)\(2\)\(v\) of the FDIC’s regulations](#), “reciprocal deposits” means “deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks.”

An institution should report its total reciprocal deposits in this Memorandum item 1.g, including any reciprocal deposits that are reported as brokered deposits in Schedule RC-E, Memorandum item 1.b (and, if applicable, in Memorandum items 1.c and 1.d), and as brokered reciprocal deposits in Schedule RC-O, item 9 (and, if applicable, in item 9.a).

SCHEDULE RC-M – MEMORANDA

Item No. Caption and Instructions

- 1** **Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date.** For purposes of this item, the terms "extension of credit," "executive officer," "director," "principal shareholder," and "related interest" are as defined in [Federal Reserve Board Regulation O](#) and [12 U.S.C. 375b\(9\)\(D\)](#).

An "extension of credit" is a making or renewal of any loan, a granting of a line of credit, or an extending of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount to be reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. An extension of credit also includes having a credit exposure arising from a derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction. See [Section 215.3 of Regulation O](#) and [12 U.S.C. 375b\(9\)\(D\)\(i\)](#) for further details.

Loans that are guaranteed under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) are excepted from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of Regulation O if they are not prohibited by SBA lending restrictions. Accordingly, such PPP loans should not be reported in Schedule RC-M, items 1.a and 1.b, below. See [Section 215.3\(b\)\(8\) of Regulation O](#) for further details.

An "executive officer" of the reporting bank generally means a person who participates or has authority to participate (other than in the capacity of a director) in major policymaking functions of the reporting bank, an executive officer of a bank holding company of which the bank is a subsidiary, and (unless properly excluded by the bank's board of directors or bylaws) an executive officer of any other subsidiary of that bank holding company. See [Section 215.2\(e\) of Regulation O](#) for further details.

A "director" of the reporting bank generally means a person who is a director of a bank, whether or not receiving compensation, a director of a bank holding company of which the bank is a subsidiary, and (unless properly excluded by the bank's board of directors or bylaws) a director of any other subsidiary of that bank holding company. See [Section 215.2\(d\) of Regulation O](#) for further details.

A "principal shareholder" of the reporting bank generally means an individual or a company (other than an insured bank or foreign bank) that directly or indirectly owns, controls, or has the power to vote more than ten percent of any class of voting securities of the reporting bank. See [Section 215.2\(m\) of Regulation O](#) for further details.

A "related interest" means (1) a company (other than an insured bank or a foreign bank) that is controlled by an executive officer, director, or principal shareholder or (2) a political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. See [Section 215.2\(n\)](#) of Regulation O.

- 1.a** **Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests.** Report the aggregate amount outstanding as of the report date of all extensions of credit by the reporting bank to all of its executive officers, directors, and principal shareholders, and to all of the related interests of its executive officers, directors, and principal shareholders.

Include each extension of credit by the reporting bank in the aggregate amount only *one* time, regardless of the number of executive officers, directors, principal shareholders, and related interests thereof to whom the extension of credit has been made.

Item No. Caption and Instructions**1.b Number of executive officers, directors, and principal shareholders to whom the amount of all extensions of credit by the reporting bank (including extensions of credit to related interests) equals or exceeds the lesser of \$500,000 or 5 percent of total capital as defined for this purpose in agency regulations.**

Report the number of executive officers, directors, and principal shareholders of the reporting bank to whom the amount of all extensions of credit by the reporting bank outstanding as of the report date equals or exceeds the lesser of \$500,000 or five percent of total capital as defined for this purpose in regulations issued by the bank's primary federal bank supervisory authority.

For purposes of this item, the amount of all extensions of credit by the reporting bank to an executive officer, director, or principal shareholder includes all extensions of credit by the reporting bank to the related interests of the executive officer, director, or principal shareholder. Furthermore, an extension of credit made by the reporting bank to *more than one* of its executive officers, directors, principal shareholders, or related interests thereof must be included in full in the amount of all extensions of credit for *each* such executive officer, director, or principal shareholder.

2 Intangible assets. Report in the appropriate subitem the carrying amount of intangible assets. Intangible assets primarily result from business combinations accounted for under the acquisition method in accordance with ASC Topic 805, Business Combinations, from acquisitions of portions or segments of another institution's business such as mortgage servicing portfolios and credit card portfolios, and from the sale or securitization of financial assets with servicing retained.

An identifiable intangible asset with a finite life (other than a servicing asset) should be amortized over its estimated useful life and should be reviewed at least quarterly to determine whether events or changes in circumstances indicate that its carrying amount may not be recoverable. If this review indicates that the carrying amount may not be recoverable, the identifiable intangible asset should be tested for recoverability (impairment) in accordance with ASC Topic 360, Property, Plant, and Equipment. An impairment loss shall be recognized if the carrying amount of the identifiable intangible asset is not recoverable and this amount exceeds the asset's fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted expected future cash flows from the identifiable intangible asset. An impairment loss is recognized by writing the identifiable intangible asset down to its fair value (which becomes the new accounting basis of the intangible asset), with a corresponding charge to expense (which should be reported in Schedule RI, item 7.c.(2)). Subsequent reversal of a previously recognized impairment loss is prohibited.

An identifiable intangible asset with an indefinite useful life should not be amortized, but should be tested for impairment at least annually in accordance with ASC Topic 350, Intangibles-Goodwill and Other.

2.a Mortgage servicing assets. Report the carrying amount of mortgage servicing assets, i.e., contracts to service loans secured by real estate (as defined for Schedule RC-C, Part I, item 1, in the Glossary entry for "Loans secured by real estate") under which the estimated future revenues from contractually specified servicing fees, late charges, and other ancillary revenues are expected to more than adequately compensate the servicer for performing the servicing. A mortgage servicing contract is either (a) undertaken in conjunction with selling or securitizing the mortgages being serviced or (b) purchased or assumed separately. For mortgage servicing assets accounted for under the amortization method, the carrying amount is the unamortized cost of acquiring the mortgage servicing contracts, net of any

Item No. Caption and Instructions

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).

Examples of “remittance transfers” include the following (see Regulation E, Subpart B, 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.

Item No. Caption and Instructions

16 Under Subpart B of Regulation E, the term “remittance transfer” does not include, for
(cont.) 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.

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.

Item No. Caption and Instructions

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.

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."

Item No. Caption and Instructions

- 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.

- 18 Money Market Mutual Fund Liquidity Facility (MMLF).** To prevent the disruption in the money markets from destabilizing the financial system, the Board of Governors of the Federal Reserve System authorized the Federal Reserve Bank of Boston on March 19, 2020, to establish the MMLF pursuant to Section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)). Under the MMLF, the Federal Reserve Bank of Boston extends non-recourse loans to eligible borrowers to purchase eligible assets from money market mutual funds, which is posted as collateral to the Federal Reserve Bank of Boston.

Item No. Caption and Instructions

- 18.a** **Outstanding balance of assets purchased under the MMLF.** Report on a fully consolidated basis the aggregate amount at which the reporting institution's holdings of assets purchased under the MMLF are included in Schedule RC, item 1.b, "Interest-bearing balances" due from depository institutions; item 2.a, "Held-to-maturity securities;" item 2.b, "Available-for-sale securities;" item 5, "Trading assets;" and item 11, "Other assets;" as appropriate, as of the report date.
- 18.b** **Quarterly average amount of assets purchased under the MMLF and excluded from "Total assets for the leverage ratio" reported in Schedule RC-R, Part I, item 30.** Report the quarterly average amount of assets purchased under the MMLF 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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Definitions (cont.)

at the new effective interest rate on the asset, if the asset is not required to be placed on nonaccrual. For a PCD loan, debt security, or other financial asset within the scope of ASU 2016-13 that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset (fair value for a PCD available-for-sale debt security) as past due in Schedule RC-N, column A or B, as appropriate. If the PCD asset that is not reported in nonaccrual status consists of a pool of loans that was previously PCI, but is being maintained as a unit of account after the adoption of ASU 2016-13, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms. For further information, see the Glossary entry for "Purchased Credit-Deteriorated Assets."

Nonaccrual – For purposes of this schedule, an asset is to be reported as being in nonaccrual status if:

- (1) It is maintained on a cash basis because of deterioration in the financial condition of the borrower,
- (2) Payment in full of principal or interest is not expected, or
- (3) Principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

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

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

In the following situations, an asset need not be placed in nonaccrual status:

- (1) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan (as defined for Schedule RC-C, part I, item 6, "Loans to individuals for household, family, and other personal expenditures") or a loan secured by a 1-to-4 family residential property (as defined for Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties"). Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated. To the extent that the bank has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in this schedule.
- (2) For an institution that has not adopted ASU 2016-13, the criteria for accrual of income under the interest method specified in ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality, are met for a PCI loan, pool of loans, or debt security accounted for in accordance with that Subtopic, regardless of whether the loan, the loans in the pool, or debt security had been maintained in nonaccrual status by its seller. (For PCI loans with common risk characteristics that are aggregated and accounted for as a pool, the determination of nonaccrual or accrual status should be made at the pool level, not at the individual loan level.) For further information, see the Glossary entry for "purchased credit-impaired loans and debt securities."

Definitions (cont.)

- (3) For an institution that has adopted ASU 2016-13, the following criteria are met for a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI assets, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for "Nonaccrual Status"):
- (a) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
 - (b) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

When a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the institution's net income is not materially overstated. Further, regardless of whether a PCD asset is in nonaccrual or accrual status, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of such an asset that is attributable to the acquirer's assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). Interest income should no longer be recognized on a PCD asset to the extent that the net investment in the asset would increase to an amount greater than the payoff amount. If an institution is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis (fair value for a PCD available-for-sale debt security) in Schedule RC-N, column C. (For PCD assets for which the institution has made a policy election to maintain previously existing pools of PCI loans upon adoption of ASU 2016-13, the determination of nonaccrual or accrual status should be made at the pool level, not the individual asset level.) For further information, see the Glossary entry for "purchased credit-deteriorated assets."

As a general rule, a nonaccrual asset may be restored to accrual status when:

- (1) None of its principal and interest is due and unpaid, and the bank expects repayment of the remaining contractual principal and interest; or
- (2) When it otherwise becomes well secured and in the process of collection.

For purposes of meeting the first test for restoration to accrual status, the bank must have received repayment of the past due principal and interest unless, as discussed in the Glossary entry for "nonaccrual status":

- (1) The asset has been restructured in a troubled debt restructuring and qualifies for accrual status;
- (2) The asset is a purchased credit-impaired loan, pool of loans, or debt security accounted for in accordance with ASC Subtopic 310-30 and it meets the criteria for accrual of income under the interest method specified in that Subtopic; or
- (3) The borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and certain repayment criteria are met.

For further information, see the Glossary entry for "nonaccrual status."

Definitions (cont.)

Restructured in Troubled Debt Restructurings – A troubled debt restructuring is a restructuring of a loan in which a bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. For purposes of this schedule, the concession consists of a modification of terms, such as a reduction of the loan's stated interest rate, principal, or accrued interest or an extension of the loan's maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, regardless of whether the loan is secured or unsecured and regardless of whether the loan is guaranteed by the government or by others.

Once an obligation has been restructured in a troubled debt restructuring, it continues to be considered a troubled debt restructuring until paid in full or otherwise settled, sold, or charged off (or meets the conditions discussed under "Accounting for a Subsequent Restructuring of a Troubled Debt Restructuring" in the Glossary entry for "troubled debt restructurings"). However, if a restructured obligation is in compliance with its modified terms and the restructuring agreement specifies an interest rate that at the time of the restructuring is greater than or equal to the rate that the bank was willing to accept for a new extension of credit with comparable risk, the loan need not continue to be reported as a troubled debt restructuring in calendar years after the year in which the restructuring took place. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a troubled debt restructuring. Also, a loan to a third party purchaser of "other real estate owned" by the reporting bank for the purpose of facilitating the disposal of such real estate is not considered a troubled debt restructuring.

For further information, see the Glossary entry for "troubled debt restructurings."

Column Instructions

The columns of Schedule RC-N are mutually exclusive. Any given loan, lease, debt security, or other asset should be reported in only one of columns A, B, and C. Information reported for any given derivative contract should be reported in only column A or column B.

Institutions that have adopted ASU 2016-13 should report asset amounts in columns A, B, and C without any deduction for applicable allowances for credit losses.

Report in columns A and B of Schedule RC-N the balance sheet amounts of (not just the delinquent payments on) loans, leases, debt securities, and other assets that are past due and upon which the bank continues to accrue interest, as follows:

- (1) In column A, report closed-end monthly installment loans, amortizing loans secured by real estate, lease financing receivables, and open-end credit in arrears two or three monthly payments; other multipayment obligations with payments scheduled other than monthly when one scheduled payment is due and unpaid for 30 through 89 days; single payment and demand notes, debt securities, and other assets providing for payment of interest at stated intervals after one interest payment is due and unpaid for 30 through 89 days; single payment notes, debt securities, and other assets providing for payment of interest at maturity, on which interest or principal remains unpaid for 30 through 89 days after maturity; unplanned overdrafts, whether or not the bank is accruing interest on them, if the account remains continuously overdrawn for 30 through 89 days.
- (2) In column B, report the loans, lease financing receivables, debt securities, and other assets as specified above on which payment is due and unpaid for 90 days or more.

Include in columns A and B, as appropriate, all loans, leases, debt securities, and other assets which, subsequent to their restructuring by means of a modification of terms, have become 30 days or more past due and upon which the bank continues to accrue interest. Exclude from columns A and B all loans, leases, debt securities, and other assets that are in nonaccrual status.

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SCHEDULE RC-R – REGULATORY CAPITAL

General Instructions for Schedule RC-R

The instructions for Schedule RC-R should be read in conjunction with the regulatory capital rules issued by the primary federal supervisory authority of the reporting bank or saving association (collectively, banks): for national banks and federal savings associations, [12 CFR Part 3](#); for state member banks, [12 CFR Part 217](#); and for state nonmember banks and state savings associations, [12 CFR Part 324](#).

Part I. Regulatory Capital Components and Ratios

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General Instructions for Schedule RC-R, Part I.

Community Bank Leverage Ratio Framework

Opting into the Community Bank Leverage Ratio (CBLR) Framework – A qualifying institution may opt into the CBLR framework. A qualifying institution opts into and out of the framework through its reporting in Call Report Schedule RC-R. A qualifying institution that opts into the CBLR framework (CBLR electing institution) must complete Schedule RC-R, Part I, items 1 through 37 and, if applicable, items 38.a

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

through 38.c, and makes that election in Schedule RC-R, Part I, item 31.a. A qualifying institution can opt out of the CBLR framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c. However, an otherwise qualifying institution's primary federal supervisory authority may disallow the institution's use of the CBLR framework based on the supervisory authority's evaluation of the risk profile of the institution.

On April 23, 2020, the federal banking agencies published two interim final rules to provide temporary relief to community banking organizations with respect to the CBLR framework, and the final rule became effective November 9, 2020 with no changes to the interim final rules. The final rule provides community banking organizations with a clear and gradual transition, by January 1, 2022, back to the greater than 9 percent leverage ratio qualifying criterion previously established by the agencies. The other qualifying criteria in the CBLR framework have not been modified by the final rule.

A qualifying institution with a leverage ratio that exceeds the applicable leverage ratio requirement and opts into the CBLR framework shall be considered to have met: (i) the generally applicable risk-based and leverage capital requirements in the agencies' capital rules; (ii) the capital ratio requirements to be considered well capitalized under the agencies' prompt corrective action (PCA) framework (in the case of insured depository institutions); and (iii) any other applicable capital or leverage requirements.¹

Transition Provisions – Under the provisions of the transition interim final rule, an institution may qualify for the CBLR framework if its leverage ratio is greater than 8.5 percent in calendar year 2021, and greater than 9 percent in calendar year 2022 and thereafter, and it meets the qualifying criteria: it has less than \$10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not part of an advanced approaches banking organization; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancellable commitments) of 25 percent or less of total consolidated assets (Schedule RC-R, Part I, item 34). Also, the two-quarter grace period for a qualifying institution will take into account the graduated increase in the community bank leverage ratio requirement qualifying criterion. In order to maintain eligibility for the CBLR framework during the transition period, an institution's leverage ratio cannot fall more than one percentage point below the community bank leverage ratio requirement qualifying criterion.

Table 1 – Schedule of Community Bank Leverage Ratio Requirements

Calendar Year	Community Bank Leverage Ratio (percent)	Minimum Leverage Ratio under the applicable grace period (percent)
<u>2021</u>	<u>> 8.5</u>	<u>> 7.5</u>
<u>2022</u>	<u>> 9.0</u>	<u>> 8.0</u>

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

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

Community Bank Leverage Ratio (CBLR) Framework in Calendar Year 2022 and Thereafter – In general, an institution may qualify for the CBLR framework if it has a leverage ratio greater than 9 percent (as reported in Schedule RC-R, Part I, item 31); has less than \$10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not an advanced approaches institution;¹ has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets (Schedule RC-R, Part I, item 34).

Ceasing to Meet the Leverage Ratio Requirement under the CBLR Framework or Failing to Meet Any of the Other CBLR Qualifying Criteria – A qualifying institution that temporarily fails to meet any of the qualifying criteria, including the applicable leverage ratio requirement, generally would still be deemed well-capitalized so long as the institution maintains a leverage ratio that does not fall more than one percentage point below the leverage ratio requirement during the two-quarter grace period. At the end of the grace period (see below for an example), the institution must meet all qualifying criteria to remain in the CBLR framework or otherwise must apply and report under the generally applicable capital rule. Similarly, an institution with a leverage ratio that is not within one percentage point of the leverage ratio requirement qualifying criterion under the CBLR framework is not eligible for the grace period and must comply with the generally applicable capital rule by completing all of Schedule RC-R, Parts I and II, as applicable, excluding Schedule RC-R, Part I, items 32 through 38.c.

Under the CBLR framework, the grace period will begin as of the end of the calendar quarter in which the CBLR electing institution ceases to satisfy any of the qualifying criteria and has a maximum period of two consecutive calendar quarters. For example, if the CBLR electing institution had met all of the qualifying criteria as of March 31, 2020, but no longer meets one of the qualifying criteria as of May 15, 2020, and still does not meet the criteria as of the end of that quarter, the grace period for such an institution will begin as of the end of the quarter ending June 30, 2020.

The institution may continue to use the CBLR framework as of September 30, 2020, but will need to comply fully with the generally applicable capital rule (including the associated Schedule RC-R reporting requirements) as of December 31, 2020, unless the institution once again meets all qualifying criteria of the CBLR framework, including the leverage ratio requirement qualifying criterion, before that time.

If a CBLR electing institution is in the grace period when the required community bank leverage ratio increases, the institution would be subject, as of the date of that change, to both the higher community bank leverage ratio requirement and higher grace period leverage ratio requirement. For example, if a CBLR electing institution that had met all of the qualifying criteria as of September 30, 2020, has a 7.2 percent community bank leverage ratio (but meets all of the other qualifying criteria) as of December 31, 2020, the grace period for such an institution will begin as of the end of the fourth quarter of 2020. The institution may continue to use the CBLR framework as of March 31, 2021, if the institution has a leverage ratio of greater than 7.5 percent, and will need to comply fully with the generally applicable capital rule (including the associated Schedule RC-R reporting requirements) as of June 30, 2021, unless the institution has a leverage ratio of greater than 8.5 percent (and meets all of the other qualifying criteria) by that date. In this example, if the institution has a leverage ratio equal to or less than 7.5 percent as of

¹ An institution that is subject to the advanced approaches capital rule (i.e., an advanced approaches institution as defined in the federal banking agencies' 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 with (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.

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

March 31, 2021, it would not be eligible to use the CBLR framework and would be subject immediately to the requirements of the generally applicable capital rule.

3-Year and 5-Year 2020 CECL Transition Provisions

In 2019, the federal banking agencies issued a final rule that, among other provisions, revised the agencies' regulatory capital rule and included a transition option that allows institutions to phase in over a 3-year transition period the day-one effects of adopting the current expected credit losses methodology (CECL) on their regulatory capital ratios (2019 CECL rule).

In 2020, the agencies issued a final rule that provides institutions that implement CECL during the 2020 calendar year the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a 3-year transition period, thereby resulting in a 5-year transition period (2020 CECL rule).

Eligibility for, and Transition Period under, the 3-Year CECL Transition – An institution is eligible to use the 3-Year CECL transition provision if it experiences a reduction in retained earnings due to CECL adoption as of the beginning of the fiscal year in which the institution adopts CECL. The transition period under the 3-year CECL transition provision means the three-year period beginning the first day of the fiscal year in which an institution adopts CECL and reflects CECL in its first Call Report filed after that date.

An institution that is eligible to use the 3-year CECL transition provision may elect to phase in the regulatory capital impact of adopting CECL over a 3-year transition period (a 3-year CECL electing institution). A 3-year CECL electing institution is required to begin applying the 3-year CECL transition provision as of the electing banking organization's CECL adoption date. A 3-year CECL electing institution must indicate in Schedule RC-R, Part I, item 2.a, its election to use the 3-year CECL transition provision and must report the transitional amounts, as defined below and as applicable, in the affected items of Schedule RC-R, adjusted for the transition provisions, beginning in the Call Report for the quarter in which the institution first reports its credit loss allowances as measured under CECL.

An institution that does not elect to use the 3-year CECL transition provision in the Call Report for the quarter in which it first reports its credit loss allowances as measured under CECL is not permitted to make an election in subsequent reporting periods and is required to reflect the full effect of CECL in its regulatory capital ratios beginning as of the institution's CECL adoption date.

An institution that initially elects to use the 3-year CECL transition provision, but opts out of this transition provision in a subsequent reporting period, is not permitted to resume using the 3-year CECL transition provision at a later date within the 3-year transition period. An institution may opt out of applying the transition provision by reflecting the full impact of CECL on regulatory capital in Call Report Schedule RC-R.

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

Eligibility for the 5-Year 2020 CECL Transition – An institution is eligible to use the 5-Year 2020 CECL transition provision if it adopts CECL under U.S. GAAP as of the first day of a fiscal year that begins during the 2020 calendar year and

- (1) Reports a decrease in retained earnings immediately upon adoption of CECL; or
- (2) Would report a positive modified CECL transitional amount (as defined below) in any quarter ending in 2020 after adopting CECL.

An institution must indicate in Schedule RC-R, Part I, item 2.a, its election to use the 5-year 2020 CECL transition provision in calendar year 2020 in the first Call Report filed after the institution adopts CECL or the same Call Report in which the institution first reports a positive modified CECL transitional amount for any calendar quarter ending in 2020 (5-year CECL electing institution).

Even if an institution elects to use the 5-Year 2020 CECL transition provision, the institution may only reflect the regulatory capital adjustments set forth in the 2020 CECL rule in the quarter or quarters in which the institution implements CECL for regulatory reporting purposes. An institution that has elected the 5-year 2020 CECL transition provision, but would not report a positive modified CECL transitional amount in a particular quarter, is not required to make the adjustments in Call Report Schedule RC-R in that quarter.

Transition Period under the 5-Year 2020 CECL Transition – Beginning with the earlier of:

- (1) The first quarter of the fiscal year in which an institution was required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020), or
- (2) The first day of a fiscal year that begins in the 2020 calendar year in which the institution files Call Reports reflecting CECL,

and for the subsequent 19 quarters (for a total of 20 quarters or the five-year transition period), an institution is permitted to make the adjustments described below to amounts used in calculating regulatory capital.

If an institution temporarily ceases using CECL during this period (i.e., due to election of Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act))¹, the institution may not reflect regulatory capital adjustments for any quarter (during the first 8 quarters) in which it did not implement CECL, but it would be allowed to apply the transition in subsequent quarters when the institution uses CECL. However, an institution that has elected the transition, but does not apply it in any quarter, does not receive any extension of the transition period.

Example 1: An institution was required to adopt CECL on January 1, 2020. This institution, however, delays adoption of CECL under Section 4014 of the CARES Act until July 1, 2020, and elects to use the 5-Year 2020 CECL transition provision. This institution's transition period begins on January 1, 2020, despite not adopting CECL until July 1, 2020. As such, on July 1, 2020, this institution would have 18 quarters² including the quarter of adoption, remaining in its transition period.

Example 2: An institution was required to adopt CECL on October 1, 2020, and elects to use the 5-Year 2020 CECL transition provision. This institution does not delay adoption of CECL under Section 4014 of the CARES Act. This institution's transition period begins on October 1, 2020. As such, on October 1, 2020, this institution would have 20 quarters, including the quarter of adoption, remaining in its transition period.

¹ Section 4014 of the CARES Act, as amended by the Consolidated Appropriations Act, 2021,⁷ allows an institution to delay the adoption of Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, until the earlier of (1) January 1, 2022, or (2) the first day of the institution's fiscal year that begins after the date of the termination of the National Emergency

² Six quarters of the initial transition followed by 12 quarters of the phase-out of the transition.

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

For the first 8 quarters after the start of its transition period, an institution is permitted to make an adjustment of 100 percent of the transitional items calculated below for each quarter in which the institution applies CECL. Beginning with the ninth quarter of the transition period, the institution phases out the cumulative adjustment as calculated at the end of the eighth quarter (i.e., the first two years of the 5-Year 2020 CECL transition provision) over the following 12 quarters as follows: 75 percent adjustment in quarters 9-12 (i.e., Year three); 50 percent adjustment in quarters 13-16 (i.e., Year four); and 25 percent adjustment in quarters 17-20 (i.e., Year five).

Definitions – Institutions that elect either the 3-year CECL transition provision or the 5-year 2020 CECL transition provision must calculate the following amounts, as applicable. AACL refers to Adjusted Allowances for Credit Losses and ALLL refers to the Allowance for Loan and Lease Losses, both as defined in the regulatory capital rule (12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC)).

- CECL transitional amount means the difference, net of any deferred tax assets (DTAs), in the amount of an institution’s retained earnings as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s retained earnings as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.
- DTA transitional amount means the difference in the amount of an institution’s DTAs arising from temporary differences as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.
- AACL transitional amount means the difference in the amount of an institution’s AACL as of the beginning of the fiscal year in which the institution adopts CECL and the amount of the institution’s ALLL as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.
- Eligible credit reserves transitional amount means the difference in the amount of an advanced approaches institution’s eligible credit reserves as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s eligible credit reserves as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.

In addition, institutions that elect the 5-year 2020 CECL transition provision must calculate the following amounts:

- Modified CECL transitional amount means:
 - During the first two years of the transition period, the difference between the AACL as reported in the most recent Call Report, and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the CECL transitional amount, and
 - During the last three years of the transition period, the difference between the AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the CECL transitional amount.
- Modified AACL transitional amount means:
 - During the first two years of the transition period, the difference between the AACL as reported in the most recent Call Report, and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount, and
 - During the last three years of the transition period, the difference between the AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount.

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

A 3-year or 5-year CECL electing advanced approaches institution (1) that has completed the parallel run process and has received notification from its primary federal regulator pursuant to section 121(d) under subpart E of the regulatory capital rules, (2) whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and (3) would have an increase in common equity tier 1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount or modified CECL transitional amount, as applicable, must decrease its CECL transitional amount or modified CECL transitional amount, as applicable, by its DTA transitional amount.

Example and a Worksheet Calculation for the 3-year CECL Transition ProvisionAssumptions:

- For example, consider an institution that elects to apply the 3-year CECL transition and has a CECL effective date of January 1, 2020, and a 21 percent tax rate.
- On the closing balance sheet date immediately prior to adopting CECL (i.e., December 31, 2019), the 3-year CECL electing institution has \$10 million in retained earnings and \$1 million in the allowance for loan and lease losses. On the opening balance sheet date immediately after adopting CECL (i.e., January 1, 2020), the 3-year CECL electing institution has \$1.2 million in allowances for credit losses (ACL), which also equals \$1.2 million of AACL, as defined in the regulatory capital rules.
- The 3-year CECL electing institution recognizes the effect of the adoption of CECL as of January 1, 2020, by recording an increase in its ACL of \$200,000 (credit), with an offsetting increase in temporary difference DTAs of \$42,000 (debit) and a reduction in beginning retained earnings of \$158,000 (debit)
- For each of the quarterly reporting periods in year 1 of the transition period (i.e., 2020), the 3-year CECL electing institution increases both retained earnings and average total consolidated assets by \$118,500 (\$158,000 x 75 percent), decreases temporary difference DTAs by \$31,500 (\$42,000 x 75 percent), and decreases AACL by \$150,000 (\$200,000 x 75 percent) for purposes of calculating its regulatory capital ratios. The remainder of the 3-year CECL transition provision of the 3-year CECL electing institution is transitioned into regulatory capital according to the schedule provided in Table 1 below.

Table 2 – Example of a 3-Year CECL Transition Provision Schedule

Dollar Amounts in Thousands	Transitional Amounts Column A	Transitional Amounts Applicable During Each Year of the 3-Year Transition Period		
		Year 1 at 75%	Year 2 at 50%	Year 3 at 25%
		Column B	Column C	Column D
1. Increase retained earnings and average total consolidated assets by the CECL transitional amount	CECL transitional amount = \$158	\$118.50	\$79	\$39.50
2. Decrease temporary difference DTAs by the DTA transitional amount	DTA transitional amount = \$42	\$31.50	\$21	\$10.50
3. Decrease AACL by the AACL transitional amount	AACL transitional amount = \$200	\$150	\$100	\$50

General Instructions for Schedule RC-R, Part I. (cont.)**Example of Application of the 5-Year CECL Transition Provision for Third Quarter 2020**

As an example, assume an institution is required under U.S. GAAP to adopt CECL on January 1, 2020. This institution chose not to delay adoption of CECL for Call Report purposes under the provisions of Section 4014 of the CARES Act, and elected to use the 5-year 2020 CECL transition provision in the March 31, 2020, Call Report. This institution's 5-year 2020 CECL transition period begins on January 1, 2020.

The institution's December 31, 2019, Call Report reflected the following amounts:

- ALLL: \$120
- Temporary Difference DTAs: \$20
- Retained earnings: \$200
- Eligible credit reserves (advanced approaches institutions only): \$110

On January 1, 2020, the institution adopted CECL and reflected the following amounts:

- AACL: \$150
- AACL transitional amount = $\$150 - \$120 = \$30$
(AACL on 1/1/20 – ALLL on 12/31/19)
- Temporary difference DTAs: \$30
- DTA transitional amount = $\$30 - \$20 = \$10$
(DTAs on 1/1/20 – DTAs on 12/31/19)
- Retained earnings: \$180
- CECL transitional amount = $\$200 - \$180 = \$20$
(Retained earnings on 12/31/19 – retained earnings on 1/1/20)
- Eligible credit reserves (advanced approaches institutions only): \$140
- Eligible credit reserves transitional amount (advanced approaches institutions only) = $\$140 - \$110 = \$30$
(Eligible credit reserves on 1/1/20 – eligible credit reserves on 12/31/19)

On September 30, 2020, the institution reflected the following amounts:

- AACL: \$170
- Modified AACL transitional amount = $(\$170 - \$150) * 0.25 + \$30 = \35
(AACL on 9/30/20 – AACL on 1/1/20)*0.25 + AACL transitional amount)
- Modified CECL transitional amount = $(\$170 - \$150) * 0.25 + \$20 = \25
(AACL on 9/30/20 – AACL on 1/1/20)*0.25 + CECL transitional amount)

The institution would adjust the following items in its September 30, 2020, Call Report, Schedule RC-R:

- Part I, Item 2 (Retained earnings): Add \$25 (modified CECL transitional amount)
- Part I, Item 15, 15.a, or 15.b, as applicable (temporary difference DTAs): Subtract \$10 (DTA transitional amount) when calculating temporary difference DTAs subject to deduction
- Part I, Item 27 (Average total consolidated assets): Add \$25 (modified CECL transitional amount)

An institution that is not electing the CBLR framework in its September 30, 2020, Call Report, would make these additional Schedule RC-R adjustments:

- Part I, Item 42 (Allowances in tier 2 capital): Subtract \$35 (modified AACL transitional amount)
- Part II, Item 8 (All other assets): Subtract \$10 (DTA transitional amount)

Part I. (cont.)

Item No. Caption and Instructions

13 *Example for a CBLR electing institution and a worksheet calculation:*
(cont.)

Assumptions:

For example, assume that a CBLR electing institution:

- Has \$20 of total investments in the capital of unconsolidated financial institutions;
- Of that \$20, \$15 are investments in tier 1 capital instruments, and \$5 are investments in tier 2 capital instruments; and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12) of \$60.

(1)	Total investments in the capital of unconsolidated financial institutions	\$20
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	$\$60 \times 25\% = \15
(3)	Determine if (1) is greater than (2), and, if so, the difference between (1) and (2) must be deducted from regulatory capital.	$\$20 > \15 , so the amount deducted is $\$20 - \$15 = \$5$
(4)	The amount of investments deducted from regulatory capital can be deducted from the corresponding total amounts of regulatory capital held by the institution that meet each type of capital, as an institution chooses.	<i>Total of \$5 must be deducted from regulatory capital. Since institutions have the flexibility to choose which items are deducted, they can elect to allocate the tier 1 investments first. As a result, the remaining investment that exceeds the threshold would be tier 2 instruments. Therefore, since CBLR electing institutions are not required to make tier 2 deductions, no deduction is necessary.</i>

14 **LESS: MSAs, net of associated DTLs, that exceed 25 percent of item 12.** Report the amount of MSAs included in Schedule RC-M, item 2.a, net of associated DTLs, that exceed the 25 percent common equity tier 1 capital deduction threshold as follows:

- (1) Take the amount of MSAs as reported in Schedule RC-M, item 2.a, net of associated DTLs.
- (2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, report the difference in this item 14.
- (3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12, enter zero in this item 14.

All institutions must apply a 250 percent risk-weight to MSAs that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for institutions that are subject to the community bank leverage ratio (CBLR) framework.

Part I. (cont.)**Item No. Caption and Instructions****14 *Example and a worksheet calculation:***
(cont.)*Assumptions:*

For example, assume that an institution:

- Has \$20 of MSAs, net of associated DTLs; and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12) of \$60.

(1)	Total amount of MSAs, net of associated DTLs.	\$20
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	$\$60 \times 25\% = \15
(3)	Determine if (1) is greater than (2), and, if so, the difference between (1) and (2) must be deducted from regulatory capital.	$\$20 > \15 , so the amount deducted is $\$20 - \$15 = \$5$

15 LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed 25 percent of item 12.

- (1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution's allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).
- (2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, report the difference in this item 15.
- (3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12, enter zero in this item 15.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned to a 100 percent risk-weight category, except for institutions that have a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date. For an institution that is a member of a consolidated group for tax purposes, the amount of DTAs that could be realized through net operating loss carrybacks may not exceed the amount that the institution could reasonably expect to have refunded by its parent holding company.

All institutions must apply a 250 percent risk-weight to DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for institutions that have a CBLR framework election in effect as of the quarter-end report date.

An institution that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016 13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution should reduce the amount of its DTAs arising from temporary differences by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period (see Table 2 in the General Instructions for Schedule RC R, Part I).

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

15
(cont.) An institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should reduce the amount of its DTAs arising from temporary differences by 100 percent of its DTA transitional amount during the first and second years of the transition period, 75 percent of its DTA transitional amount during the third year of the transition period, 50 percent of its DTA transitional amount during the fourth year of the transition period, and 25 percent of its DTA transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).

Example and a worksheet calculation:***Assumptions:***

For example, assume that an institution:

- Has \$20 of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances and net of associated DTLs; and
- Has total common equity tier 1 capital subtotal (reported in RC-R, Part I, item 12) of \$60.

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Part I. (cont.)**Item No. Caption and Instructions**15
(cont.)

(1)	Total amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances and net of associated DTLs.	\$20
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	$\$60 \times 25\% = \15
(3)	Determine if (1) is greater than (2), and, if so, the difference between (1) and (2) must be deducted from regulatory capital.	$\$20 > \15 , so the amount deducted is $\$20 - \$15 = \$5$

16 **Not applicable.**

17 **LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.** Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments, reciprocal cross-holdings, and investments in the capital of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule RC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule RC-R, Part I, item 42.a) to absorb these deductions in Schedule RC-R, Part I, items 24 or 45, as appropriate.

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

18 **Total adjustments and deductions for common equity tier 1 capital.** Report the sum of Schedule RC-R, Part I, items 13 through 17.

19 **Common equity tier 1 capital.** Report Schedule RC-R, Part I, item 12 less item 18. Except for a CBLR electing institution under the CBLR framework, the amount reported in this item is the numerator of the institution's common equity tier 1 risk-based capital ratio.

Additional Tier 1 Capital

20 **Additional tier 1 capital instruments plus related surplus.** Report the portion of noncumulative perpetual preferred stock and related surplus included in Schedule RC, item 23, and any other capital instrument and related surplus that satisfy all the eligibility criteria for additional tier 1 capital instruments in section 20(c) of the regulatory capital rules of the institution's primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 1 capital under the primary federal supervisor's general risk-based capital

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

20 permanently). Also include additional tier 1 capital instruments issued as part of an ESOP, (cont.) provided that the repurchase of such instruments is required solely by virtue of ERISA for an institution that is not publicly-traded.

21 **Non-qualifying capital instruments subject to phase out from additional tier 1 capital.**
Report the amount of non-qualifying capital instruments that may not be included in additional tier 1 capital, as described in Schedule RC-R, Part I, item 20, and that is subject to phase out from additional tier 1 capital.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital, respectively, as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 3 below.

The amount of non-qualifying capital instruments that is excluded from additional tier 1 capital in accordance with Table 3 may be included in tier 2 capital (in Schedule RC-R, Part I, item 40) without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the regulatory capital rules.

Transition provisions for non-qualifying capital instruments includable in additional tier 1 or tier 2 capital:

Table 3 applies separately to additional tier 1 and tier 2 non-qualifying capital instruments. For example, an institution that has \$100 in non-qualifying tier 1 instruments may include up to \$20 in additional tier 1 capital in 2020, and \$10 in 2021. If that same institution has \$100 in non-qualifying tier 2 instruments, it may include up to \$20 in tier 2 capital in 2020 and \$10 in 2021.

If the institution is involved in a merger or acquisition, it should treat its non-qualifying capital instruments following the requirements in section 300 of the regulatory capital rules.

Table 3 – Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital during the transition period

Transition period	Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital
Calendar year 2017	50
Calendar year 2018	40
Calendar year 2019	30
Calendar year 2020	20
Calendar year 2021	10
Calendar year 2022 and thereafter	0

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

24 **(3) Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from additional tier 1 capital.** Report the total amount of investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital that exceeds the 25 percent threshold. Calculate this amount as follows:

(cont.)

- (1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.
- (2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, report the difference across items 13, 24, or 45, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualify. The institution can elect which investments it must deduct and which it must risk weight. Depending on the institution's election and the component of capital for which the underlying instrument would qualify will determine if it will be deducted and reported in Schedule RC-R, Part I, item 13, or be deducted and reported in Schedule RC-R, Part I, item 24 or 45.
- (3) If the amount in (1) is less than 25 percent of Schedule RC-R, Part I, item 12, no deduction is needed.

See Schedule RC-R, Part I, item 13, for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold.

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

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

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

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

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

- 25 Additional tier 1 capital.** Report the greater of Schedule RC-R, Part I, item 23 minus item 24, or zero.

Tier 1 Capital

- 26 Tier 1 capital.** Report the sum of Schedule RC-R, Part I, items 19 and 25.

Total Assets for the Leverage Ratio

- 27 Average total consolidated assets.** All institutions must report the amount of average total consolidated assets as reported in Schedule RC-K, item 9.

An institution that has adopted [FASB Accounting Standards Update No. 2016-13](#), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should increase its average total consolidated assets by its applicable CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period (see Table 2 in the General Instructions for Schedule RC-R, Part I).

An institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should increase its average total consolidated assets by its applicable modified CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by 100 percent of its modified CECL transitional amount during the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).

- 28 LESS: Deductions from common equity tier 1 capital and additional tier 1 capital.**

Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, Part I, items 6, 7, 8, 10.b, 13 through 15, 17, and 24. Also exclude the amount reported in Schedule RC-R, Part I, item 17, that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in Schedule RC-R, Part I, item 24. (This is to avoid double counting.)

- 29 LESS: Other deductions from (additions to) assets for leverage ratio purposes.** Based on the regulatory capital rules of the bank's primary federal supervisor, report the amount of any deductions from (additions to) total assets for leverage ratio purposes that are not included in Schedule RC-R, Part I, item 28, as well as the items below, if applicable. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.

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

29
(cont.) Include as a deduction the quarterly average amount of Paycheck Protection Program (PPP) loans pledged to the PPP Liquidity Facility (PPPLF). 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. Institutions also should report in Schedule RC-M, item 17.e, the quarterly average amount of PPP loans pledged to the PPPLF that are included as a deduction in this item 29.

Include as a deduction the quarterly average amount of assets purchased under the Money Market Mutual Fund Liquidity Facility (MMLF). 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. Institutions also should report in Schedule RC-M, item 18.b, the quarterly average amount of assets purchased under the MMLF that are included as a deduction in this item 29.

Institutions that make the AOCI opt-out election in Schedule RC-R, Part I, item 3.a – Defined benefit postretirement plans:

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits, the institution should adjust total assets for leverage ratio purposes for any amounts included in Schedule RC, item 26.b, “Accumulated other comprehensive income” (AOCI), affecting assets as a result of the initial and subsequent application of ASC Topic 715. The adjustment also should take into account subsequent amortization of these amounts from

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

38
(cont.) broader range of assets than the PCI asset definition. As defined in ASU 2016-13, “purchased credit-deteriorated assets” are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments—Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution’s assessment.

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

38.a **Loans and leases held for investment.** Report all allowances for credit losses on PCD loans and leases held for investment.

38.b **Held-to-maturity debt securities.** Report all allowances for credit losses on PCD held-to-maturity debt securities.

38.c **Other financial assets measured at amortized cost.** Report all allowances for credit losses on all other PCD financial assets, excluding PCD loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities.

NOTE: A qualifying institution that has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date (i.e., entered “1” for Yes in Schedule RC-R, Part I, item 31.a) should not complete Schedule RC-R, Part I, items 39 through 54, and should not complete Schedule RC-R, Part II.

Tier 2 Capital

39 **Tier 2 capital instruments plus related surplus.** Report the portion of cumulative perpetual preferred stock and related surplus included in Schedule RC, item 23; the portion of subordinated debt and limited-life preferred stock and related surplus included in Schedule RC, item 19; and any other capital instrument and related surplus that satisfy all the eligibility criteria for tier 2 capital instruments in section 20(d) of the regulatory capital rules of the institution’s primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 2 capital non-qualifying capital instruments (e.g., trust preferred stock and cumulative perpetual preferred stock) under the primary federal supervisor’s general risk-based capital rules.

40 **Non-qualifying capital instruments subject to phase-out from tier 2 capital.** Report the total amount of non-qualifying capital instruments that were included in tier 2 capital and outstanding as of January 1, 2014, and that are subject to phase-out.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital

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

40 instruments in section 20 of the regulatory capital rules but that were included in tier 1 or
(cont.) tier 2 capital respectively as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 3 in the instructions for Schedule RC-R, item 21.

41 **Total capital minority interest that is not included in tier 1 capital.** Report the aggregate amount of total capital minority interest, calculated as described below and in section 21 of the regulatory capital rules. Non-advanced approaches institutions are able to include total capital minority interest up to 10 percent of the parent banking organization's total capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the capital rule. Total capital minority interest is the portion of total capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that a reporting institution may only include total capital minority interest if the capital instruments issued by the subsidiary meet all of the criteria for capital (qualifying capital instruments).

Example and a worksheet calculation: Calculate total capital minority interest includable at the reporting institution's level as follows:

Assumptions:

- This is a continuation of the example used in the instructions for Schedule RC-R, Part I, items 4 and 22.
- Assumptions and calculation from Schedule RC-R, Part I, item 4:
 - Includable common equity tier 1 minority interest (see Schedule RC-R, Part I, item 4) is \$9.
 - The parent banking organization's common equity tier 1 capital before minority interest and after deductions and adjustments is \$90.
- Assumptions and calculation from Schedule RC-R, Part I, item 22:
 - Includable tier 1 minority interest that is not included in common equity tier 1 minority interest (see Schedule RC-R, Part I, item 22) is \$1.1.
 - The parent banking organization's additional tier 1 capital before minority interest and after deductions is \$11 (\$15 - \$4).
- The parent banking organization's tier 2 capital instruments before minority interest and allowance for loan and lease losses includable in tier 2 capital (or adjusted allowances for credit losses (AACL), as applicable) is \$20. Additional tier 2 capital deductions equal \$2.
- The subsidiary's total capital minority interest (that is, owned by minority shareholders) is \$14.
- Subsidiary A has \$8 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).
- Subsidiary B has \$6 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).

Part I. (cont.)**Item No. Caption and Instructions**41
(cont.)

(1)	Tier 1 capital after deductions and before minority interest + tier 2 capital instruments before minority interest + allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes that is includable in tier 2 capital - tier 2 capital deductions = Schedule RC-R, Part I, sum of items 26, 39, 40, and 42.a, minus item 45.	$\$101 + \$20 - \$2 = \119
(2)	Multiply step (1) by 10 percent. This is the maximum includable total capital minority interest from all subsidiaries.	$\$119 \times 10\% = \11.9
(3)	Determine the lower of (2) or the total capital minority interest from all subsidiaries.	<i>Minimum of (\$11.9 from Step 2 or \$38 from the assumptions) = \$11.9</i>
(4)	From (3), subtract out the includable common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 4, and includable tier 1 minority interest that is not included in common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 22. This is the “total capital minority interest not included in tier 1 minority interest includable at the reporting institution’s level” to be included in Schedule RC-R, Part I, item 41.	$\$11.9 - \$9 - \$1.1 = \1.8

42 Allowance for loan and lease losses includable in tier 2 capital. Report the portion of the institution’s allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes that is includable in tier 2 capital. None of the institution’s allocated transfer risk reserve, if any, is includable in tier 2 capital.

For an institution that has not adopted FASB [Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), the institution’s ALLL for regulatory capital purposes equals Schedule RC, item 4.c, “Allowance for loan and lease losses”; less any allocated transfer risk reserve included in Schedule RC, item 4.c; plus Schedule RC-G, item 3, “Allowance for credit losses on off-balance sheet credit exposures.”

For an institution that has adopted ASU 2016-13, the institution’s AACL for regulatory capital purposes equals Schedule RI-B, Part II, item 7, columns A and B, “Balance end of current period” for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule RI-B, Part II, Memorandum item 6, “Allowance for credit losses on other financial assets measured at amortized cost (not included in item 7, above)”; less Schedule RC-R, Part II, sum of Memorandum items 4.a, 4.b, and 4.c, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule RI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule RC-G, item 3, “Allowance for credit losses on off-balance sheet credit exposures.”

An institution that has adopted ASU 2016-13 and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should decrease its AACL by the applicable AACL transitional amount

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

42
(cont.) in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution should reduce the amount of its AACL includable by 75 percent of its AACL transitional amount during the first year of the transition period, 50 percent of its AACL transitional amount during the second year of the transition period, and 25 percent of its AACL transitional amount during the third year of the transition period (see Table 1 in the General Instructions for Schedule RC-R, Part I).

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

The amount to be reported in this item is the lesser of (1) the institution's ALLL or AACL, as applicable, for regulatory capital purposes, as defined above, or (2) 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation, as applicable, as reported in Schedule RC-R, Part II, item 26. In calculating the risk-weighted assets base for this purpose, an institution would not include items that are deducted from capital under section 22(a). However, an institution would include risk-weighted asset amounts of items deducted from capital under sections 22(c) through (f) of the regulatory capital rule. While amounts deducted from capital under sections 22(c) through (f) are included in the risk-weighted assets base for the ALLL or AACL calculation, as applicable, such amounts are excluded from standardized total risk-weighted assets used in the denominator of the risk-based capital ratios.

The amount, if any, by which an institution's ALLL or AACL, as applicable, for regulatory capital purposes exceeds 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation (as reported in Schedule RC-R, Part II, item 26), as applicable, should be reported in Schedule RC-R, Part II, item 29, "LESS: Excess allowance for loan and lease losses." For an institution that has not adopted ASU 2016-13, the sum of the amount of ALLL includable in tier 2 capital reported in Schedule RC-R, Part I, item 42, plus the amount of excess ALLL reported in Schedule RC-R, Part II, item 29, must equal Schedule RC, item 4.c, less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3.

43 Not applicable.

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

44 Tier 2 capital before deductions. Report the sum of Schedule RC-R, Part I, items 39 through 42.

45 LESS: Tier 2 capital deductions. Report total tier 2 capital deductions as the sum of the following elements.

Note that an institution should report tier 2 capital deductions in this item 45 irrespective of the amount of tier 2 capital before deductions reported in Schedule RC-R, Part I, item 44. If an institution does not have a sufficient amount of tier 2 capital before deductions in item 44 to absorb these deductions, then the institution must deduct the shortfall from additional tier 1 capital before deductions in Schedule RC-R, Part I, item 24, or, if there is not enough additional tier 1 capital before deductions, from common equity tier 1 capital in Schedule RC-R, Part I, item 17.

For example, if an institution reports \$98 of “Tier 2 capital before deductions” in Schedule RC-R, Part I, item 44, and must make \$110 in tier 2 capital deductions, the institution would report \$110 in this item 45, include the additional \$12 in deductions in Schedule RC-R, Part I, item 24 (and in Schedule RC-R, Part I, item 17, in the case of insufficient “Additional tier 1 capital before deductions” in Schedule RC-R, Part I, item 23, from which to make the deduction in Schedule RC-R, Part I, item 24), and report \$0 in item 46, “Tier 2 capital.”

(1) Investments in own tier 2 capital instruments. Report the institution’s investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly.

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

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

- (i) Gross long positions in investments in an institution’s own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
- (ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
- (iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution’s internal control processes.

(2) Reciprocal cross-holdings in the capital of financial institutions. Include investments in the tier 2 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other’s capital instruments.

(3) Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from tier 2 capital. Report the total amount of investments in the capital of unconsolidated financial institutions in the form of tier 2 capital that exceeds the 25 percent threshold.

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

- 45** Calculate this amount as follows:
(cont.)
- (1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.
 - (2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, report the difference across Schedule RC-R, Part I, item 13, item 24, or item 45, depending on the tier of capital for which the investments in the capital of unconsolidated financial institutions qualify. The institution can elect which investments it must deduct and which it must risk weight. The institution's election and the component of capital for which the underlying instrument would qualify will determine if it will be deducted and reported in Schedule RC-R, Part I, item 13, or be deducted and reported in Schedule RC-R, Part I, item 24 or item 45.
 - (3) If the amount in (1) is less than 25 percent of Schedule RC-R, Part I, item 12, no deduction is needed.
- See Schedule RC-R, Part I, item 13, for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold.
- (4) Other adjustments and deductions.** Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the primary federal supervisor.
- 46** **Tier 2 capital.** Report the greater of Schedule RC-R, Part I, item 44 less item 45, or zero.

Total Capital

- 47** **Total capital.** Report the sum of Schedule RC-R, Part I, items 26 and 46.

Total Risk-Weighted Assets

- 48** **Total risk-weighted assets.** Report the amount of total risk-weighted assets using the standardized approach (as reported in Schedule RC-R, Part II, item 31).

Risk-Based Capital Ratios

- 49** **Common equity tier 1 capital ratio.** Report the institution's common equity tier 1 risk-based capital ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 19 by item 48.
- 50** **Tier 1 capital ratio.** Report the institution's tier 1 risk-based capital ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 48.
- 51** **Total capital ratio.** Report the institution's total risk-based capital ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 47 by item 48.

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

- 52 Institution-specific capital conservation buffer necessary to avoid limitations on distributions and discretionary bonus payments.** In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, an institution must hold a capital conservation buffer above its minimum risk-based capital requirements.

Report the institution's capital conservation buffer as a percentage, rounded to four decimal places. Except as described below, the capital conservation buffer is equal to the lowest of ratios (1), (2), and (3) below.

For example, the capital conservation buffer to be reported in this item 52 for the June 30, 2020, report date would be based on the capital ratios reported in Schedule RC-R, Part I, of the Call Report for June 30, 2020.

- (1) Schedule RC-R, Part I, item 49, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
- (2) Schedule RC-R, Part I, item 50, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
- (3) Schedule RC-R, Part I, item 51, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the institution's capital conservation buffer is zero.

NOTE: Institutions must complete Schedule RC-R, Part I, item 53, only if the amount reported in Schedule RC-R, Part I, item 52, above, is less than or equal to 2.5000 percent.

Item No. Caption and Instructions

- 53 Eligible retained income.** Report the amount of eligible retained income as the greater of (1) the reporting institution's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of the reporting institution's net income over the four preceding calendar quarters. (See the instructions for Schedule RC-R, Part I, item 54, for the definition of "distributions" from section 2 of the regulatory capital rules.)

For purposes of this item 53, the four preceding calendar quarters refers to the calendar quarter ending on the last day of the current reporting period and the three preceding calendar quarters as illustrated in the example below. The average of an institution's net income over the four preceding calendar quarters refers to the average of three-month net income for the calendar quarter ending on the last day of the current reporting period and the three-month net income for the three preceding calendar quarters as illustrated in the example below.

Part I. (cont.)**Item No. Caption and Instructions****53 *Example and a worksheet calculation:***
(cont.)

Assumptions:

- Eligible retained income is calculated for the Call Report date of March 31, 2020.
- The institution reported the following on its Call Reports in Schedule RI, Income Statement, item 14, “Net income (loss) attributable to bank (item 12 minus item 13)”:

Call Report Date	Amount Reported in Item 14	Three-Month Net Income
March 31, 2019	\$400 (A)	\$400
June 30, 2019	\$900 (B)	\$500 (B-A)
September 30, 2019	\$1,500 (C)	\$600 (C-B)
December 31, 2019	\$1,900 (D)	\$400 (D-C)
March 31, 2020	\$200 (E)	\$200 (E)

- The distributions and associated tax effects not already reflected in net income (e.g., dividends declared on the institution’s common stock between April 1, 2019, and March 31, 2020) in this example are \$400 in each of the four preceding calendar quarters.

	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Net Income	\$500	\$600	\$400	\$200
Adjustments for distributions and associated tax effects not already reflected in net income	(\$400)	(\$400)	(\$400)	(\$400)
Adjusted Net Income (Net Income – Adjustments)	\$100	\$200	\$0	(\$200)

(1)	Calculate an institution’s net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income.	\$100 + \$200 + \$0 + (\$200) = \$100
(2)	Calculate the average of an institution’s three-month net income over the four preceding calendar quarters.	(\$500 + \$600 + \$400 + \$200) / 4 = \$425*
(3)	Take the greater of step (1) and step (2) and report the amount in Schedule RC-R, Part I, item 53.	\$425

*From a practical perspective, an institution may use the year-to-date net income reflected in Schedule RI for December 31, 2019; subtract from it the net income reflected in Schedule RI, item 14, for March 31, 2019; and then add the net income in Schedule RI, item 14, for March 31, 2020, to calculate the numerator in step 2, above. For the example above, the average of an institution’s three-month net income over the four preceding calendar quarters would be: (\$1,900 (D) less \$400 (A) plus \$200 (E)) divided by 4 = \$425.

NOTE: Institutions must complete Schedule RC-R, Part I, item 54, only if the amount reported in Schedule RC-R, Part I, item 52, in the Call Report for the previous calendar quarter-end report date was less than or equal to 2.5000 percent.

Item No. Caption and Instructions

- 54** **Distributions and discretionary bonus payments during the quarter.** An institution must complete this item only if the amount of its capital conservation buffer, as reported as of the previous calendar quarter-end report date, was less than its applicable required buffer percentage on that previous calendar quarter-end report date. For an institution that must complete this item 54, report the amount of distributions and discretionary bonus payments during the calendar quarter ending on the report date.

For example, an institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending June 30, 2020, in this item 54 in its June 30, 2020, Call Report only if the amount of its capital conservation buffer as reported in Schedule RC-R, Part I, item 52, in its March 31, 2020, Call Report was less than or equal to 2.5000 percent.

As defined in section 2 of the regulatory capital rules, “distribution” means:

- (1) A reduction of tier 1 capital through the repurchase of a tier 1 capital instrument or by other means, except when an institution, within the same quarter when the repurchase is announced, fully replaces a tier 1 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for:
 - (i) A common equity tier 1 capital instrument if the instrument being repurchased was part of the institution's common equity tier 1 capital, or
 - (ii) A common equity tier 1 or additional tier 1 capital instrument if the instrument being repurchased was part of the institution's tier 1 capital;

Part I. (cont.)

Item No. Caption and Instructions

- 54**
(cont.)
- (2) A reduction of tier 2 capital through the repurchase, or redemption prior to maturity, of a tier 2 capital instrument or by other means, except when an institution, within the same quarter when the repurchase or redemption is announced, fully replaces a tier 2 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for a tier 1 or tier 2 capital instrument;
 - (3) A dividend declaration or payment on any tier 1 capital instrument;
 - (4) A dividend declaration or interest payment on any tier 2 capital instrument if the institution has full discretion to permanently or temporarily suspend such payments without triggering an event of default; or
 - (5) Any similar transaction that the institution's primary federal regulator determines to be in substance a distribution of capital.

As defined in section 2 of the regulatory capital rules, "discretionary bonus payment" means a payment made to an executive officer of an institution, where:

- (1) The institution retains discretion as to whether to make, and the amount of, the payment until the payment is awarded to the executive officer;
- (2) The amount paid is determined by the institution without prior promise to, or agreement with, the executive officer; and
- (3) The executive officer has no contractual right, whether express or implied, to the bonus payment.

As defined in section 2 of the regulatory capital rules, "executive officer" means a person who holds the title or, without regard to title, salary, or compensation, performs the function of one or more of the following positions: president, chief executive officer, executive chairman, chief operating officer, chief financial officer, chief investment officer, chief legal officer, chief lending officer, chief risk officer, or head of a major business line, and other staff that the board of directors of the institution deems to have equivalent responsibility.

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Part II. (cont.)**Community Bank Leverage Ratio Framework**

A qualifying community banking organization that decides to opt into the community bank leverage ratio (CBLR) framework (i.e., has a CBLR framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a) should not complete Schedule RC-R, Part II. All other institutions should complete Schedule RC-R, Part II. A qualifying institution can opt out of the community bank leverage ratio framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c. Please refer to the General Instructions for Schedule RC-R, Part I, for information on the reporting requirements that apply when an institution ceases to meet the applicable leverage ratio requirement under the CBLR framework or fails to meet any of the other CBLR qualifying criteria and is no longer in the grace period.

General Instructions for Schedule RC-R, Part II.

NOTE: Schedule RC-R, Part II, items 1 through 25, columns A through U, as applicable, are to be completed semiannually in the June and December reports only. Items 26 through 31 are to be completed quarterly.

The instructions for Schedule RC-R, Part II, items 1 through 22, provide general directions for the allocation of bank balance sheet assets, credit equivalent amounts of derivatives and off-balance sheet items, and unsettled transactions to the risk-weight categories in columns C through Q (and, for items 1 through 10 only, to the adjustments to the totals in Schedule RC-R, Part II, column A, to be reported in column B). In general, the aggregate amount allocated to each risk-weight category is then multiplied by the risk weight associated with that category. The resulting risk-weighted values from each of the risk categories are added together, and generally this sum is the bank's total risk-weighted assets, which comprises the denominator of the risk-based capital ratios.

These instructions should provide sufficient guidance for most banks for risk-weighting their balance sheet assets and credit equivalent amounts. However, these instructions do not address every type of exposure. Banks should review the regulatory capital rules of their primary federal supervisory authority for the complete description of capital requirements.

Part II. (cont.)**Item Instructions for Schedule RC-R, Part II.****Balance Sheet Asset Categories****Item No. Caption and Instructions**

NOTE: Schedule RC-R, Part II, items 1 through 8.b, columns A through S, as applicable, are to be completed semiannually in the June and December reports only.

- 1 Cash and balances due from depository institutions.** Report in column A the amount of cash and balances due from depository institutions reported in Schedule RC, sum of items 1.a and 1.b, excluding those balances due from depository institutions that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The amount of those balances due from depository institutions reported in Schedule RC, items 1.a and 1.b, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.d, column A.

- *In column C—0% risk weight, include:*
 - The amount of currency and coin reported in Schedule RC, item 1.a;
 - Any balances due from Federal Reserve Banks reported in Schedule RC, item 1.b;
 - The insured portions of deposits in FDIC-insured depository institutions and NCUA-insured credit unions reported in Schedule RC, items 1.a and 1.b; and
 - The amount of negotiable certificates of deposit purchased through the Money Market Mutual Fund Liquidity Facility.
- *In column G—20% risk weight, include:*
 - Any balances due from depository institutions and credit unions that are organized under the laws of the United States or a U.S. state reported in Schedule RC, items 1.a and 1.b, in excess of any applicable FDIC or NCUA deposit insurance limits for deposit exposures or where the depository institutions are not insured by either the FDIC or the NCUA;
 - Any balances due from Federal Home Loan Banks reported in Schedule RC, items 1.a and 1.b; and
 - The amount of cash items in the process of collection reported in Schedule RC, item 1.a.
- *In column I—100% risk weight, include all other amounts that are not reported in columns C through H and J.*
- For balances due from foreign banks and foreign central banks that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

If the reporting bank is the correspondent bank in a pass-through reserve balance relationship, report in column C the amount of its own reserves as well as those reserve balances actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions.

If the reporting bank is the respondent bank in a pass-through reserve balance relationship, report in column C the amount of the bank's reserve balances due from its correspondent bank that its correspondent has actually passed through to a Federal Reserve Bank on the reporting bank's behalf, i.e., for purposes of this item, treat these balances as balances due from a Federal Reserve Bank. This risk-based capital treatment differs from the required reporting described in the Glossary entry for "pass-through reserve balances," which, for

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

1
(cont.) legal and supervisory purposes, treats pass-through reserve balances held by a bank's correspondent as balances due from a depository institution as opposed to balances due from the Federal Reserve.

If the reporting bank is a participant in an excess balance account at a Federal Reserve Bank, report in column C the bank's balance in this account.

If the reporting bank accounts for any holdings of certificates of deposit (CDs) like available-for-sale debt securities that do not qualify as securitization exposures, report in column A the fair value of such CDs. If the bank has made the Accumulated Other Comprehensive Income opt-out election in Schedule RC-R, Part I, item 3.a, include in column B the difference between the fair value and amortized cost of these CDs. When fair value exceeds amortized cost, report the difference as a positive number in column B. When amortized cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in column B. Risk weight the amortized cost of these CDs in columns C through J, as appropriate.

2 **Securities.** Do not include securities that qualify as securitization exposures in items 2.a and 2.b below; instead, report these securities in Schedule RC-R, Part II, items 9.a and 9.b. In general, under the regulatory capital rules, securitizations are exposures that are "tranche" for credit risk. Refer to the definitions of *securitization*, *traditional securitization*, *synthetic securitization* and *tranche* in §.2 of the regulatory capital rules.

2.a **Held-to-maturity securities.** Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule RC, item 2.a, excluding those HTM securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The amount of those HTM securities reported in Schedule RC, item 2.a, that qualify as securitization exposures are to be reported in Schedule RC-R, Part II, item 9.a, column A. The sum of Schedule RC-R, Part II, items 2.a and 9.a, column A, must equal Schedule RC, item 2.a.

Exposure amount to be used for purposes of risk weighting – bank has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a:

For a security classified as HTM where the bank has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security, which is the value of the asset reported (a) on the balance sheet of the bank determined in accordance with GAAP and (b) in Schedule RC-R, Part II, item 2.a, column A.

Exposure amount to be used for purposes of risk weighting – bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:

For a security classified as HTM where the bank has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the bank is the carrying value of the security reported (a) on the balance sheet of the bank and (b) in Schedule RC-R, Part II, item 2.a, column A, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI. For purposes of determining the exposure amount of an HTM security, an unrealized gain (loss), if any, on such a security that is included in AOCI is (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category, or (ii) the unaccreted portion of other-than-temporary impairment losses on an HTM debt security that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt Securities (formerly FASB

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

2.a
(cont.) Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”). Thus, for an HTM security with such an unrealized gain (loss), report in column B any difference between the carrying value of the security reported in column A of this item and its exposure amount reported under the appropriate risk weighting column C through J.

- *In column B*, include the amount of:
 - Investments in tier 2 capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item 45.

For an institution that has adopted the current expected credit losses methodology (CECL), include as a negative number in column B:

- The portion of Schedule RI-B, Part II, item 7, column B, “Balance end of current period” for HTM debt securities that relates to HTM securities reported in column A of this item, less
- The portion of Schedule RC-R, Part II, Memorandum item 4.b, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for HTM debt securities that relates to purchased credit-deteriorated HTM securities reported in column A of this item.

For example, if an institution reports \$100 in Schedule RI-B, Part II, item 7, column B, and \$10 in Schedule RC-R, Part II, Memorandum item 4.b, the institution would report (\$90) in this column B.

- *In column C—0% risk weight.* The zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for the zero percent risk weight. Also include the exposure amount of HTM debt securities purchased through the Money Market Mutual Fund Liquidity Facility. Include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such securities may include portions of, but may not be limited to:
 - Item 1, “U.S. Treasury securities,”
 - Item 2, those obligations issued by U.S. Government agencies,
 - Item 4.a.(1), those residential mortgage pass-through securities guaranteed by GNMA,
 - Item 4.b.(1), those other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies, such as GNMA exposures,
 - Item 4.c.(1)(a), those commercial mortgage-backed securities (MBS) “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent GNMA securities, and
 - Item 4.c.(2)(a), those commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent GNMA securities.
 - The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
- *In column G—20% risk weight.* The 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by

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

- 2.a**
(cont.)
- the U.S. government, as well as exposures to U.S. government-sponsored enterprises. Certain foreign government and foreign bank exposures may qualify as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such securities may include portions of, but may not be limited to:
- Item 2, those obligations issued by U.S. Government-sponsored agencies,
 - Item 3, "Securities issued by states and political subdivisions in the U.S." that represent general obligation securities,
 - Item 4.a.(1), those residential mortgage pass-through securities issued by FNMA and FHLMC,
 - Item 4.b.(1), Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies,"
 - Item 4.c.(1)(a), those commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent FHLMC and FNMA securities,
 - Item 4.c.(2)(a), those commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent FHLMC and FNMA securities,
 - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," and
 - Any securities categorized as "structured financial products" on Schedule RC-B that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.a, for purposes of calculating risk-weighted assets.
 - The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.
- *In column H—50% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such securities may include portions of, but may not be limited to:
 - Item 3, "Securities issued by states and political subdivisions in the U.S.," that represent revenue obligation securities,
 - Item 4.a.(2), "Other [residential mortgage] pass-through securities," that represent residential mortgage exposures that qualify for 50 percent risk weight. (Pass-through securities that do not qualify for the 50 percent risk weight should be assigned to the 100 percent risk-weight category.)
 - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (excluding portions subject to an FDIC loss-sharing agreement and interest-only securities) that represent residential mortgage exposures that qualify for 50 percent risk weight, and
 - Item 4.b.(3), "All other residential MBS." Include only those MBS that qualify for the 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: Do not include MBS portions that are tranching for credit risk; those must be reported as securitization exposures in Schedule RC-R, Part II, item 9.a. Exclude interest-only securities.
 - The portion of any exposure reported in Schedule RC, item 2.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

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

2.b
(cont.)

Example: A bank reports an AFS debt security that is not a securitization exposure on its balance sheet in Schedule RC, item 2.b, at a carrying value (i.e., fair value) of \$105. The amortized cost of the debt security is \$100. The bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. The AFS debt security has a \$5 unrealized gain that is included in AOCI. In Schedule RC-R, Part II, item 2.b, the bank would report:

- a. \$105 in column A. This is the carrying value of the AFS debt security on the bank's balance sheet.
 - b. \$5 in column B. This is the difference between the carrying value (i.e., fair value) of the debt security and its exposure amount that is subject to risk weighting. For a bank that has made the AOCI opt-out election, column B will typically represent the amount of the unrealized gain or unrealized loss on the security. Gains are reported as positive numbers; losses as negative numbers. (Note: If the bank has not made or cannot make the opt-out election, there will be no adjustment to be reported in column B.)
 - c. \$100 is the exposure amount subject to risk weighting. This amount will be reported under the appropriate risk weight associated with the exposure (columns C through J). For a bank that has made the opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the debt security excluding any unrealized gain or loss.
- *In column B*, for a bank that has made the AOCI opt-out election, no amount should be included for equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values that are reported in Schedule RC-R, Part II, item 2.b, column A.
 - *In column B*, include the amount of investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.c, and have been deducted from capital in Schedule RC-R, Part I, item 13, item 24, and item 45.
 - *In column C—0% risk weight*, the zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for zero percent risk weight. Also include the exposure amount of AFS debt securities purchased through the Money Market Mutual Fund Liquidity Facility. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the zero percent risk weight.

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

- 2.b**
(cont.)
- Such debt securities may include portions of, but may not be limited to:
- Item 1, "U.S. Treasury securities,"
 - Item 2, those obligations issued by U.S. Government agencies,
 - Item 4.a.(1), those residential mortgage pass-through securities guaranteed by GNMA,
 - Portions of item 4.b.(1), Other residential mortgage-backed securities (MBS) "Issued or guaranteed by U.S. Government agencies or sponsored agencies," such as GNMA exposures,
 - Item 4.c.(1)(a), certain portions of commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent GNMA securities, and
 - Item 4.c.(2)(a), certain portions of commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent GNMA securities.
 - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
- *In column G—20% risk weight*, the 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by the U.S. government, as well as exposures to U.S. government sponsored enterprises. Certain foreign government and foreign bank exposures may qualify for the 20 percent risk weight as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of those debt securities reported in Schedule RC-B, column C, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such debt securities may include portions of, but may not be limited to:
 - Item 2, those obligations issued by U.S. Government-sponsored agencies (exclude interest-only securities),
 - Item 3, "Securities issued by states and political subdivisions in the U.S." that represent general obligation securities,
 - Item 4.a.(1), those residential mortgage pass-through securities issued by FNMA and FHLMC (exclude interest-only securities),
 - Item 4.b.(1), Other residential MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies," (exclude interest-only securities)
 - Item 4.c.(1)(a), those commercial MBS "Issued or guaranteed by FNMA, FHLMC, or GNMA" that represent FHLMC and FNMA securities (exclude interest-only securities),
 - Item 4.c.(2)(a), those commercial MBS "Issued or guaranteed by U.S. Government agencies or sponsored agencies" that represent FHLMC and FNMA securities (exclude interest-only securities),
 - Item 4.b.(2), Other residential MBS "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude interest-only securities), and
 - Any securities categorized as "structured financial products" on Schedule RC-B that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets. Exclude interest-only securities.
 - The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

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

- 4.a** Exclude from this item:
- (cont.) • HFS loans secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
- HFS 1-4 family residential construction loans reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures.
- These HFS loans should be reported in Schedule RC-R, Part II, item 4.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFS loans should be reported in Schedule RC-R, Part II, item 4.d.
- *In column C–0% risk weight*, include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans collateralized by deposits at the reporting institution.
 - *In column G–20% risk weight*, include the carrying value of the guaranteed portion of HFS Federal Housing Administration (FHA) and Veterans Administration (VA) mortgage loans included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of such an exposure covered by an FDIC loss-sharing agreement.
 - *In column H–50% risk weight*, include the carrying value of HFS loans secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of \$1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured (1) solely pursuant to the U.S. Treasury’s Home Affordable Mortgage Program (HAMP)) or (2) consistent with the agencies’ April 7, 2020, interagency statement,¹ solely due to short-term modifications of 1-4 family residential mortgages made on a good faith basis in response to the Coronavirus Disease 2019 (COVID-19), provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status). Also include loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any exposure that meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

¹ As discussed in the April 7, 2020, [Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus \(Revised\)](#), Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act provides financial institutions the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19.

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

4.a
(cont.)

Notes:

1. Refer to the definition of “residential mortgage exposure” in §.2 of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in §.32 of the regulatory capital rules.
2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:
 - A property is owner-occupied or rented;
 - The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.
 - The loan is not 90 days or more past due or on nonaccrual;
 - The loan is not restructured or modified (except for loans restructured (1) solely pursuant to the U.S. Treasury’s HAMP or (2) solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loan is prudently underwritten and not 90 days or more past due or carried in nonaccrual status).
 - If the bank holds the first lien and junior lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the bank must combine the exposures and treat them as a single first-lien residential mortgage exposure.
3. A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.
4. A residential mortgage loan of \$1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.

- *In column I–100% risk weight*, include the carrying value of HFS loans that are *residential mortgage exposures* reported in Schedule RC, item 4.a, that are not included in columns C, G, H, or R. Include HFS loans that are junior lien *residential mortgage exposures* if the bank does not hold the first lien on the property, except the portion of any junior lien *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Include HFS loans that are *residential mortgage exposures* that have been restructured or modified, except:
 - Those loans restructured or modified solely pursuant to the U.S. Treasury’s HAMP, and
 - The portion of any restructured or modified *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.
- *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HFS exposure reported in Schedule RC, item 4.a, that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* and is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFS exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 4.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

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

- 5.a** These loans should be reported in Schedule RC-R, Part II, item 5.c, if they are past due
(cont.) 90 days or more or on nonaccrual. Otherwise, these HFI loans should be reported in
Schedule RC-R, Part II, item 5.d.
- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment that are applicable to purchased credit-deteriorated residential mortgage exposures.
 - *In column C—0% risk weight*, include the portion of any HFI exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans and leases HFI collateralized by deposits at the reporting institution.
 - *In column G—20% risk weight*, include the carrying value of the guaranteed portion of FHA and VA mortgage loans HFI included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans HFI covered by an FDIC loss-sharing agreement.
 - *In column H—50% risk weight*, include the carrying value of loans HFI secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of \$1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured (1) solely pursuant to the U.S. Treasury’s Home Affordable Mortgage Program (HAMP)) or (2) consistent with the agencies’ April 7, 2020, interagency statement,¹ solely due to short-term modifications of 1-4 family residential mortgages made on a good faith basis in response to the Coronavirus Disease 2019 (COVID-19), provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status). Also include loans HFI that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

¹ As discussed in the April 7, 2020, [Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus \(Revised\)](#), Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act provides financial institutions the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19.

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

5.a
(cont.)

Notes:

1. Refer to the definition of “residential mortgage exposure” in §.2 of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in §.32 of the regulatory capital rules.
 2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:
 - A property is owner-occupied or rented;
 - The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.
 - The loan is not 90 days or more past due or on nonaccrual;
 - The loan is not restructured or modified (except for loans restructured (1) solely pursuant to the U.S. Treasury’s HAMP or (2) solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loan is prudently underwritten and not 90 days or more past due or carried in nonaccrual status).
 - If the bank holds the first lien and junior lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the bank must combine the exposures and treat them as a single first-lien residential mortgage exposure.
 3. A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.
 4. A residential mortgage loan of \$1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.
- In column I–100% risk weight, include the carrying value of loans HFI related to residential mortgages exposures reported in Schedule RC, item 4.b, that are not included in columns C, G, H, or R. Include loans HFI that are junior lien *residential mortgage exposures* if the bank does not hold the first lien on the property, except the portion of any junior lien *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Also include loans HFI that are *residential mortgage exposures* that have been restructured or modified, except
 - Those loans restructured or modified solely pursuant to the U.S. Treasury’s HAMP, and
 - The portion of any restructured or modified *residential mortgage exposure* that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.
 - In columns R and S–Application of Other Risk-Weighting Approaches, include the portion of any loan HFI reported in Schedule RC, item 4.b, that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* and is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.a, in the instructions for the [FFIEC 031](#) and [FFIEC 041](#) Call Reports.

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

- 5.b High volatility commercial real estate exposures.** Report in column A the portion of the carrying value of loans HFI reported in Schedule RC, item 4.b, that are high volatility commercial real estate (HVCRE) exposures,¹ including HVCRE exposures that are 90 days or more past due or in nonaccrual status.
- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment that are applicable to purchased credit-deteriorated high volatility commercial real estate exposures.
 - *In column C—0% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFI, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE loans HFI collateralized by deposits at the reporting institution.

¹ See the instructions for Schedule RC-R, Part II, item 4.b, above for the definition of HVCRE exposure.

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

- 5.b**
(cont.)
- *In column G–20% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.
 - *In column H–50% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
 - *In column I–100% risk weight*, include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
 - *In column J–150% risk weight*, include the carrying value of HVCRE exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 4.b, excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
 - *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any HVCRE exposure included in loans and leases HFI reported in Schedule RC, item 4.b, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II item 5.b, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.
- 5.c**
- Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status according to the requirements set forth in §.32(k) of the regulatory capital rules. Do not include sovereign exposures or residential mortgage exposures, as described in §.32(a) and §.32(g), respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule RC-R, Part II, items 5.d and 5.a, respectively). Also do not include high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule RC-R, Part II, item 5.b).
- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment that are applicable to purchased credit-deteriorated exposures past due 90 days or more or on nonaccrual.
 - *In column C–0% risk weight*, include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans and the portion of loans and leases HFI collateralized by deposits at the reporting institution.

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

- 5.c** (cont.)
- *In column G–20% risk weight*, include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFI covered by an FDIC loss-sharing agreement.
 - *In column H–50% risk weight*, include the portion of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
 - *In column I–100% risk weight*, include the portion of loans and leases HFI, included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
 - *In column J–150% risk weight*, include the carrying value of loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
 - *In columns R and S–Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFI included in Schedule RC, item 4.b, that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.c, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.
- 5.d**
- All other exposures.** Report in column A the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that are not reported in items 5.a through 5.c above.
- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment that are applicable to all purchased credit-deteriorated exposures not reported in items 5.a through 5.c above.
 - *In column C–0% risk weight*, include the carrying value of the unconditionally guaranteed portion of HFI SBA “Guaranteed Interest Certificates” purchased in the secondary market that are included in Schedule RC-C, Part I. Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans and the portion of loans and leases HFI collateralized by deposits at the reporting institution.

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

- 5.d**
(cont.)
- *In column G—20% risk weight*, include the carrying value of HFI loans to and acceptances of other U.S. depository institutions that are reported in Schedule RC-C, Part I, item 2 (excluding the carrying value of any long-term exposures to non-OECD banks), plus the carrying value of the HFI guaranteed portion of SBA loans originated and held by the reporting bank included in Schedule RC-C, Part I, and the carrying value of the portion of HFI student loans reinsured by the U.S. Department of Education included in Schedule RC-C, Part I, item 6.d, "Other consumer loans." Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFI covered by FDIC loss-sharing agreements.
 - *In column H—50% risk weight*, include the carrying value of loans and leases HFI that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight. Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
 - *In column I—100% risk weight*, include the carrying value of loans and leases HFI reported in Schedule RC, item 4.b, that is not included in columns C through H, J, or R (excluding loans that are assigned a higher than 100 percent risk weight, such as HVCRE loans and past due loans). This item would include 1-4 family construction loans and leases HFI reported in Schedule RC-C, Part I, item 1.a.(1) and the portion of loans HFI secured by multifamily residential property reported in Schedule RC-C, Part I, item 1.d, with an original amount of more than \$1 million. Also include the carrying value of loans HFI that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight. Also include the portion of any loans and leases HFI not reported in Schedule RC-R, Part II, items 5.a through 5.c above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
 - *In columns R and S—Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases HFI, including eligible margin loans, reported in Schedule RC, item 4.b, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach, or the collateral margin approach for eligible margin loans, outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part II, item 5.d, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.
 - For all other loans and leases HFI that must be risk weighted according to the Country Risk Classification (CRC) methodology, assign these exposures to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.
- 6** **LESS: Allowance for loan and lease losses.** Report in columns A and B the balance of the allowance for loan and lease losses or the allowance for credit losses on loans and leases, as applicable, reported in Schedule RC, item 4.c.

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

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

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

If the bank is subject to the market risk capital rule, include in column B the fair value of all trading assets that are covered positions as defined in Schedule RC-R, Part II, item 27 (except those trading assets that are both securitization exposures and covered positions, which are excluded from column A of this item 7 and are to be reported instead in Schedule RC-R, Part II, item 9.c, column A). The bank will report its standardized market risk-weighted assets in Schedule RC-R, Part II, item 27. For further information on the market risk capital rule and the meaning of the term “covered position,” refer to the discussion of “Banks That Are Subject to the Market Risk Capital Rule” in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

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

- *In column B*, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of derivative contracts that are assets (excluding those derivative contracts reported in Schedule RC, item 5, that qualify as securitization exposures, which are excluded from column A of this item 7). For purposes of risk weighting, include the credit equivalent amounts of these derivatives, determined in accordance with the regulatory capital rules, in the risk-weight categories in Schedule RC-R, Part II, items 20 and 21, as appropriate. Do not risk weight these derivatives in this item.

In column B, include the amount of investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 13, item 17, item 24, and item 45.

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

- *In column C—0% risk weight*,
 - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the zero percent risk weight and are not securitization exposures, which may include the fair value of U.S. Treasury securities, securities issued by U.S. Government agencies, and mortgage-backed securities (MBS) guaranteed by GNMA.
 - Include the fair value of assets purchased through the Money Market Mutual Fund Liquidity Facility that are held for trading.

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

- 7**
(cont.)
- Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans held for trading and the portion of trading assets collateralized by deposits at the reporting institution.
 - *In column G—20% risk weight,*
 - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 20 percent risk weight and are not securitization exposures, which may include the fair value of securities issued by U.S. Government-sponsored agencies; general obligations issued by states and political subdivisions in the United States; MBS issued by FNMA and FHLMC; and asset-backed securities, structured financial products, other debt securities, loans and acceptances, and certificates of deposit that represent exposures to U.S. depository institutions.
 - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of trading assets covered by FDIC loss-sharing agreements.
 - *In column H—50% risk weight,*
 - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 50 percent risk weight and are not securitization exposures, which may include the fair value of revenue obligations issued by states and political subdivisions in the United States and MBS.
 - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
 - *In column I—100% risk weight,* include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 100 percent risk weight and are not securitization exposures, which may include the fair value of MBS and other debt securities that represent exposures to corporate entities and special purpose vehicles (SPVs).
 - Also include the fair value of publicly traded and not publicly traded equity exposures and equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 5, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its trading equity exposures in columns L, M, or N, as appropriate.
 - Also include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns C through H, J through N, and R. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
 - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of trading assets collateralized by deposits at the reporting institution.
 - *In column J—150% risk weight,* include:
 - The exposure amounts of trading assets reported in Schedule RC, item 5, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

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

- 7**
(cont.)
- The fair value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 5, excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
 - *In column L–300% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of publicly traded equity securities with readily determinable fair values.
 - *In column M–400% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of equity securities (other than those issued by investment firms) that do not have readily determinable fair values.
 - *In column N–600% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of equity exposures to investment firms.
 - *In columns R and S–Application of Other Risk-Weighting Approaches*, include:
 - The portion of any trading assets reported in Schedule RC, item 5, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
 - Equity exposures to investment funds (including mutual funds) reported as trading assets in Schedule RC, item 5, if the aggregate carrying value of the bank’s equity exposures is greater than 10 percent of total capital. These exposures are subject to a minimum risk weight of 20 percent.
 - For information on the reporting of such trading assets in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 7, in the instructions for the [FFIEC 031](#) and [FFIEC 041](#) Call Reports.
 - For trading assets that must be risk-weighted according to the Country Risk Classification (CRC) methodology, assign these assets to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the [FFIEC 031](#) and [FFIEC 041](#) Call Reports.
- 8**
- All other assets.** Report in column A the sum of the amounts reported in Schedule RC, item 6, "Premises and fixed assets"; item 7, "Other real estate owned"; item 8, "Investments in unconsolidated subsidiaries and associated companies"; item 9, "Direct and indirect investments in real estate ventures"; item 10, "Intangible assets"; and item 11, "Other assets," excluding those assets reported in Schedule RC, items 6 through 11, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those assets reported in Schedule RC, items 6 through 11, that qualify as securitization exposures (as well as the amount reported in Schedule RC, item 11, for accrued interest receivable on on-balance sheet securitization exposures, regardless of where the securitization exposures are reported on the balance sheet in Schedule RC) must be reported in Schedule RC-R, Part II, item 9.d, column A.

The sum of item 8, columns B through R (including items 8.a and 8.b, column R), must equal item 8, column A. Amounts reported in Schedule RC-R, Part II, items 8.a and 8.b, column R, should not also be reported in Schedule RC-R, Part II, item 8, column R.

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 instructions for Schedule RC, Balance Sheet, and Schedule RI, Income Statement, as applicable. See also Glossary entries for “Equity Method of Accounting” and “Subsidiaries.”

Item No. Caption and Instructions

- 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:

Institutions with total fiduciary assets (item 10, sum of columns A and B) greater than \$1 billion (as of the preceding December 31) or with gross fiduciary and related services

Item No. Caption and Instructions

3
(cont.) income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete:

- Items 4 through 22 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) greater than \$250 million but less than or equal to \$1 billion (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must complete:

- Items 4 through 22 semiannually with the June and December reports;
- Items 23 through 26 annually with the December report;
- Memorandum item 3 semiannually with the June and December reports; 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, 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 (i.e., 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 unfunded insurance trusts, testamentary executor appointments, and any other arrangements representing potential future fiduciary accounts.

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

Fiduciary and Related Assets (cont.)

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 advisor registered with the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940 or registered with a state agency (registered investment advisors) 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 advisor, but has delegated investment management or advisory responsibilities to the subsidiary registered investment advisor, 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 advisor.

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, 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. Employee benefit accounts for which the institution serves as a directed trustee 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.

Fiduciary and Related Assets (cont.)

- 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. Employee benefit accounts for which the institution serves as a directed trustee 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 trustee or agent. 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 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.

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Item No. **Caption and Instructions**

- 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-advisor. 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. 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 advisors. 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.

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- 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 trustee or in an agency capacity in addition to being custodian should be reported in the category of 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.

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.

- 12** Not applicable.

- 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. For report dates through December 31, 2008, the information reported in Schedule RC-T on fiduciary and related services income (except total gross fiduciary and related services income) will not be made available to the public on an individual institution basis. Beginning with the March 31, 2009, report date, all of the information reported in Schedule RC-T for each bank will be publicly available.

GLOSSARY

The definitions in this Glossary apply to the Consolidated Reports of Condition and Income and are not necessarily applicable for other regulatory or legal purposes. Similarly, the accounting discussions in this Glossary are those relevant to the preparation of these reports and are not intended to constitute a comprehensive presentation on bank accounting. For purposes of this Glossary, the [Financial Accounting Standards Board](#) (FASB) [Accounting Standards Codification](#) is referred to as the “ASC.”

Acceptances: See “bankers acceptances.”

Accounting Changes: Changes in accounting principles – The accounting principles that banks have adopted for the preparation of their Consolidated Reports of Condition and Income should be changed only if (a) the change is required by a newly issued accounting pronouncement or (b) the bank can justify the use of an allowable alternative accounting principle on the basis that it is preferable when there are two or more generally accepted accounting principles for a type of event or transaction. If a bank changes from the use of one acceptable accounting principle to one that is more preferable at any time during the calendar year, it must report the income or expense item(s) affected by the change for the entire year on the basis of the newly adopted accounting principle regardless of the date when the change is actually made. However, a change from an accounting principle that is neither accepted nor sanctioned by bank supervisors to one that is acceptable to supervisors is to be reported as a correction of an error as discussed below.

New accounting pronouncements that are adopted by the FASB (or such other body officially designated to establish accounting principles) generally include transition guidance on how to initially apply the pronouncement. In general, the pronouncements require (or allow) a bank to use one of the following approaches, collectively referred to as “retrospective application”:

- Apply a different accounting principle to one or more previously issued financial statements; or
- Make a cumulative-effect adjustment to retained earnings, assets, and/or liabilities at the beginning of the period as if that principle had always been used.

Because each Consolidated Report of Income covers a single discrete period, only the second approach under retrospective application is permitted in the Consolidated Reports of Condition and Income. Therefore, when an accounting pronouncement requires the application of either of the approaches under retrospective application, banks must report the effect on the amount of retained earnings at the beginning of the year in which the new pronouncement is first adopted for purposes of the Consolidated Reports of Condition and Income (net of applicable income taxes, if any) as a direct adjustment to equity capital in Schedule RI-A, item 2, and describe the adjustment in Schedule RI-E, item 4.

In the Consolidated Reports of Condition and Income in which a change in accounting principle is first reflected, the bank is encouraged to include an explanation of the nature and reason for the change in accounting principle in Schedule RI-E, item 7, “Other explanations,” or in the “Optional Narrative Statement Concerning the Amounts Reported in the Consolidated Reports of Condition and Income.”

Changes in accounting estimates – Accounting and the preparation of financial statements involve the use of estimates. As more current information becomes known, estimates may be changed. In particular, accruals are derived from estimates based on judgments about the outcome of future events and changes in these estimates are an inherent part of accrual accounting.

Reasonable changes in accounting estimates do not require the restatement of amounts of income and expenses and assets, liabilities, and capital reported in previously submitted Consolidated Reports of Condition and Income.

Accounting Changes (cont.):

Computation of the cumulative effect of these changes is also not ordinarily necessary. Rather, the effect of such changes is handled on a prospective basis. That is, beginning in the period when an accounting estimate is revised, the related item of income or expense for that period is adjusted accordingly. For example, if the bank's estimate of the remaining useful life of certain bank equipment is increased, the remaining undepreciated cost of the equipment would be spread over its revised remaining useful life. Similarly, immaterial accrual adjustments to items of income and expenses, including provisions for loan and lease losses and income taxes, are considered changes in accounting estimates and would be taken into account by adjusting the affected income and expense accounts for the year in which the adjustments were found to be appropriate.

However, large and unusual changes in accounting estimates may be more properly treated as constituting accounting errors, and if so, must be reported accordingly as described below.

Corrections of accounting errors – A bank may become aware of an error in a Consolidated Report of Condition or Consolidated Report of Income after it has been submitted to the appropriate federal bank regulatory agency through either its own or its regulator's discovery of the error. An error in the recognition, measurement, or presentation of an event or transaction included in a report for a prior period may result from:

- A mathematical mistake;
- A mistake in applying accounting principles; or
- The oversight or misuse of facts that existed when the Consolidated Reports of Condition and Income for prior periods were prepared.

According to [SEC Staff Accounting Bulletin No. 108](#), *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108) ([Topic 1.N. in the Codification of Staff Accounting Bulletins](#)), the effects of prior year errors or misstatements (“carryover effects”) should be considered when quantifying misstatements identified in current year financial statements. SAB 108 describes two methods for accumulating and quantifying misstatements. These methods are referred to as the “rollover” and “iron curtain” approaches:

- The rollover approach “quantifies a misstatement based on the amount of the error originating in the current year income statement” only and ignores the “carryover effects” of any related prior year misstatements. The primary weakness of the rollover approach is that it fails to consider the effects of correcting the portion of the current year balance sheet misstatement that originated in prior years.
- The iron curtain approach “quantifies a misstatement based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement’s year(s) of origination.” The primary weakness of the iron curtain approach is that it does not consider the correction of prior year misstatements in the current year financial statements to be errors because the prior year misstatements were considered immaterial in the year(s) of origination. Thus, there could be a material misstatement in the current year income statement because the correction of the accumulated immaterial amounts from prior years is not evaluated as an error.

Because of the weaknesses in these two approaches, SAB 108 states that the impact of correcting all misstatements on current year financial statements should be accomplished by quantifying an error under both the rollover and iron curtain approaches and by evaluating the error measured under each approach. When either approach results in a misstatement that is material, after considering all relevant quantitative and qualitative factors, an adjustment to the financial statements would be required. Guidance on the consideration of all relevant factors when assessing the materiality of misstatements is provided in [SEC Staff Accounting Bulletin No. 99](#), *Materiality* (SAB 99) ([Topic 1.M. in the Codification of Staff Accounting Bulletins](#)).

Accounting Changes (cont.):

For purposes of the Consolidated Reports of Condition and Income, all banks should follow the sound accounting practices described in SAB 108 and SAB 99. Accordingly, banks should quantify the impact of correcting misstatements, including both the carryover and reversing effects of prior year misstatements, on their current year reports by applying both the “rollover” and “iron curtain” approaches and evaluating the impact of the error measured under each approach. When the misstatement that exists after recording the adjustment in the current year Consolidated Reports of Condition and Income is material (considering all relevant quantitative and qualitative factors), the appropriate prior year report(s) should be amended, even though such revision previously was and continues to be immaterial to the prior year report(s). If the misstatement that exists after recording the adjustment in the current year Consolidated Reports of Condition and Income is not material, then amending the immaterial errors in prior year reports would not be necessary.

When a bank's primary federal bank regulatory agency determines that the bank's Consolidated Reports of Condition and Income contain a material accounting error, the bank may be directed to file amended condition and/or income report data for each prior period that was significantly affected by the error. Normally, such re filings will not result in restatements of reports for periods exceeding five years. If amended reports are not required, the bank should report the effect of such corrections on retained earnings at the beginning of the year, net of applicable income taxes, in Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors," and in Schedule RI-E, item 4. The effect of such corrections on income and expenses since the beginning of the year in which the error is discovered should be reflected in each affected income and expense account on a year-to-date basis in the next quarterly Consolidated Report of Income to be filed and not as a direct adjustment to retained earnings.

In addition, a change from an accounting principle that is neither accepted nor sanctioned by bank supervisors to one that is acceptable to supervisors is to be reported as a correction of an error. When such a change is implemented, the cumulative effect that applies to prior periods, calculated in the same manner as described above for other changes in accounting principles, should be reported in Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors," and in Schedule RI-E, item 4. In most cases of this kind undertaken voluntarily by the reporting bank in order to adopt more acceptable accounting practices, such a change will not result in a request for amended reports for prior periods unless substantial distortions in the bank's previously reported results are in evidence.

In the Consolidated Reports of Condition and Income in which the correction of an error is first reflected, the bank is encouraged to include an explanation of the nature and reason for the correction in Schedule RI-E, item 7, “Other explanations,” or in the “Optional Narrative Statement Concerning the Amounts Reported in the Consolidated Reports of Condition and Income.”

For further information on these three topics, see ASC Topic 250, Accounting Changes and Error Corrections.

Accounting Errors, Corrections of: See "accounting changes."

Accounting Estimates, Changes in: See "accounting changes."

Accounting Principles, Changes in: See "accounting changes."

Accrued Interest Receivable: Accrued interest receivable is the recorded amount of interest that has been earned in current or prior periods on interest-bearing assets that has not yet been collected.

For institutions that have not adopted ASC Topic 326, Financial Instruments—Credit Losses, refer to the Glossary entry on “Nonaccrual Status” for the treatment of previously accrued interest. Accrued interest receivable that is not reported elsewhere on Schedule RC, Balance Sheet, as a component of the balance sheet amount of the associated financial asset should be reported in Schedule RC-F, item 1, “Accrued interest receivable.”

Accrued Interest Receivable (cont.):

For institutions that have adopted ASC Topic 326, ASC Topic 326 permits a series of accounting policy elections related to accrued interest receivable. These elections are made upon adoption of ASC Topic 326 and may differ by class of financing receivable or major security type. The available accounting policy elections are:

- (1) Institutions may elect to present accrued interest receivable separately from the related financial asset. The accrued interest receivable is presented net of an allowance for credit losses (ACL), if any. An institution that elects to present accrued interest receivable separately from the amount reported for the related financial asset (e.g., loans, leases, debt securities, and other interest-bearing assets) on Schedule RC, Balance Sheet (rather than as a component of the balance sheet amount reported for the related financial asset), should report the accrued interest receivable in Schedule RC-F, item 1, "Accrued interest receivable."
- (2) Institutions that charge off uncollectible accrued interest receivable in a timely manner, i.e., in accordance with the Glossary entry for "Nonaccrual Status," may elect, at the class of financing receivable or the major security-type level, not to measure an ACL for accrued interest receivable. If an institution does not make this policy election for a particular class of financing receivable or major security type, the institution should measure an ACL on accrued interest receivable for that class of financing receivable or major security type.
- (3) An institution may make a separate policy election, at the class of financing receivable or major security-type level, to charge off any uncollectible accrued interest receivable by reversing interest income, recognizing credit loss expense (i.e., provision expense), or a combination of both. If an institution reverses interest income, the institution should debit (i.e., reduce) the appropriate category of interest income on Schedule RI, Income Statement, for the amount of uncollectible accrued interest receivable being charged off. Furthermore, for purposes of these reports, an institution may charge off uncollectible accrued interest receivable against an ACL by debiting (i.e., reducing) the ACL.

See also the Glossary entries for "Allowance for Loan and Lease Losses" or "Allowance for Credit Losses," as applicable, "Amortized Cost Basis," and "Nonaccrual Status."

Accrued Interest Receivable Related to Credit Card Securitizations: In a typical credit card securitization, an institution transfers a pool of receivables and the right to receive the future collections of principal (credit card purchases and cash advances), finance charges, and fees on the receivables to a trust. If a securitization transaction qualifies as a sale under ASC Topic 860, Transfers and Servicing, the selling institution removes the receivables that were sold from its reported assets and continues to carry any retained interests in the transferred receivables on its balance sheet. The "accrued interest receivable" (AIR) asset typically consists of the seller's retained interest in the investor's portion of (1) the accrued fees and finance charges that have been billed to customer accounts, but have not yet been collected ("billed but uncollected"), and (2) the right to finance charges that have been accrued on cardholder accounts, but have not yet been billed ("accrued but unbilled").

While the selling institution retains a right to the excess cash flows generated from the fees and finance charges collected on the transferred receivables, the institution generally subordinates its right to these cash flows to the investors in the securitization. If and when cash payments on the accrued fees and finance charges are collected, they flow through the trust, where they are available to satisfy more senior obligations before any excess amount is remitted to the seller. Only after trust expenses (such as servicing fees, investor certificate interest, and investor principal charge-offs) have been paid will the trustee distribute any excess fee and finance charge cash flow back to the seller. Since investors are paid from these cash collections before the selling institution receives the amount of AIR that is due, the seller may or may not realize the full amount of its AIR asset.

For further information on the accounting and reporting for the AIR asset, refer to the Glossary entry for "accrued interest receivable related to credit card securitizations" in the instructions for the [FFIEC 031](#) and [FFIEC 041](#) Call Reports.

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

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

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

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

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

See also "International Banking Facility (IBF)."

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

Bill-of-Lading Draft: See "commodity or bill-of-lading draft."

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

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

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

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

- (1) "Engaged in the business of placing deposits" of third parties if that person receives third party funds and deposits those funds at more than one insured depository institution; and

Brokered Deposits (cont.):

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

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

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

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

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

Brokered Deposits (cont.):

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

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

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

Brokered Deposits (cont.):

- The agent or nominee places, or assists in placing, customer funds into deposit accounts pursuant to such other relationships as the FDIC specifically identifies as a designated business relationship that meets the primary purpose exception.

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

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

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

In some cases, brokered deposits are issued in the name of the depositor whose funds have been placed in a bank by a deposit broker. In other cases, a bank's deposit account records may indicate that the funds have been deposited in the name of a third party custodian for the benefit of others (e.g., "XYZ Corporation as custodian for the benefit of others," or "Custodial account of XYZ Corporation"). Unless the custodian meets one of the specific exceptions from the "deposit broker" definition in [Section 29 of the Federal Deposit Insurance Act](#) and [Section 337.6\(a\) of the FDIC's regulations](#), these custodial accounts should be reported as brokered deposits in Schedule RC-E, Deposit Liabilities.

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

Reliance on Previous Staff Advisory Opinions and Interpretations

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

Brokered Deposits (cont.):

filed. After January 1, 2022, the advisory opinions and other publicly available interpretations will be moved to inactive status.

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

For additional information on brokered deposits, refer to the FDIC's "[Identifying, Accepting and Reporting Brokered Deposits: Frequently Asked Questions](#)."

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

Business Combinations: The accounting and reporting standards for business combinations are set forth in ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"). ASC Topic 805 requires that all business combinations, which are defined as the acquisition of assets and assumption of liabilities that constitute a business, be accounted for using the acquisition method of accounting. The formation of a joint venture, the acquisition of a group of assets that do not constitute a business, and a transfer of net assets or exchange of equity interests between entities under common control are not considered business combinations and therefore are not accounted for using the acquisition method of accounting.

Business Combinations (cont.):

Acquisition method – Under the acquisition method, the acquirer in a business combination shall measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their acquisition-date fair values (with limited exceptions specified in ASC Topic 805) using the definition of fair value in ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, “Fair Value Measurements”). The acquisition date is generally the date on which the acquirer legally transfers the consideration, acquires the assets, and assumes the liabilities of the acquiree, i.e., the closing date. ASC Topic 805 requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values. If ASC Topic 326, Financial Instruments–Credit Losses, has not been adopted, the acquirer may not recognize a separate valuation allowance (e.g., allowance for loan and lease losses) for the contractual cash flows that are deemed to be uncollectible as of that date.

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

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

At the acquisition date, an acquirer generally will not have obtained all of the information necessary to measure the fair values of the identifiable assets acquired, liabilities assumed, any noncontrolling interest in the acquiree, and consideration transferred for the acquiree. Under ASC Topic 805, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer should report provisional amounts in its Consolidated Reports of Condition and Income for the items for which the accounting is incomplete. Provisional amounts should be based on the best information available. During the measurement period,¹ the acquirer is required to adjust the provisional amounts recognized at the acquisition date, with a corresponding adjustment to goodwill, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Topic 805 further requires an acquirer to recognize adjustments to provisional amounts identified during the measurement period in the reporting period in which adjustment amounts are determined. The acquirer also must recognize in the income statement for the same reporting period the effect on earnings, if any, resulting from the adjustments to the provisional

¹ In general, the measurement period in a business combination is the period after the acquisition date during which the acquirer may adjust provisional amounts recognized for a business combination. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Deposits (cont.):

Also included are the balances of all NOW accounts of certain other nonprofit organizations that may not fall within the above description but that had established NOW accounts with the reporting institution prior to September 1, 1981.

NOTE: There are no regulatory requirements with respect to minimum balances to be maintained in a NOW account or to the amount of interest that may be paid on a NOW account.

- (c) ATS accounts are deposits or accounts of individuals or sole proprietorships on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and from which, pursuant to written agreement arranged in advance between the reporting institution and the depositor, withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts.
- (d) Telephone or preauthorized transfer accounts consist of deposits or accounts, other than savings deposits, (1) in which the entire beneficial interest is held by a party eligible to hold a NOW account, and (2) on which the reporting institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account.

A "preauthorized transfer" includes any arrangement by the reporting institution to pay a third party from the account of a depositor (1) upon written or oral instruction (including an order received through an automated clearing house (ACH)), or (2) at a predetermined time or on a fixed schedule.

Telephone and preauthorized transfer accounts also include:

- (i) Deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to third parties or others, or to another deposit account of the depositor.

Deposits (cont.):

- (ii) The balance of deposits or accounts that otherwise meet the definition of time deposits, but from which payments may be made to third parties by means of a debit card, an automated teller machine, remote service unit or other electronic device, regardless of the number of payments made.
- (2) Nontransaction accounts – All deposits that are not transaction accounts (as defined above) are nontransaction accounts. Nontransaction accounts include: (a) savings deposits ((i) money market deposit accounts (MMDAs) and (ii) other savings deposits) and (b) time deposits ((i) time certificates of deposit and (ii) time deposits, open account). [Regulation D](#) no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined below for purposes of these reports, which call for separate data on each in Schedule RC-E, Memorandum items 2.a.(1) and (2).

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

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

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

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

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

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

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

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

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

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

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

Deposits (cont.):

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

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

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

Time deposits take two forms:

- (i) Time certificates of deposit (including rollover certificates of deposit) are deposits evidenced by a negotiable or nonnegotiable instrument, or a deposit in book entry form evidenced by a receipt or similar acknowledgement issued by the bank, that provides, on its face, that the amount of such deposit is payable to the bearer, to any specified person, or to the order of a specified person, as follows:
- (1) on a certain date not less than seven days after the date of deposit,
 - (2) at the expiration of a specified period not less than seven days after the date of the deposit, or
 - (3) upon written notice to the bank which is to be given not less than seven days before the date of withdrawal.
- (ii) Time deposits, open account are deposits (other than time certificates of deposit) for which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn prior to:
- (1) the date of maturity which shall be not less than seven days after the date of the deposit, or
 - (2) the expiration of a specified period of written notice of not less than seven days.

These deposits include those club accounts, such as Christmas club and vacation club accounts, that are made under written contracts that provide that no withdrawal shall be made until a certain number of periodic deposits has been made during a period of not less than three months, even though some of the deposits are made within six days of the end of such period.

Time deposits do not include the following categories of liabilities even if they have an original maturity of seven days or more:

- (1) Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after deposit and that does not require an

Deposits (cont.):

early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days. Such deposits or accounts that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

- (2) The remaining balance of a time deposit if a partial early withdrawal is made and the remaining balance is not subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. Such time deposits that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts – When a depository institution establishes a retail sweep program, the depository institution must ensure that its customer account agreements provide for the existence of two distinct accounts rather than a single account and the funds are actually transferred between these two accounts as described in the customer contract.

There are two key criteria for retail sweep programs:

- (1) A depository institution must establish by agreement with its customer two legally separate accounts;
- (2) The swept funds must actually be moved between the customer's two accounts on the official books and records of the depository institution as of the close of the business on the day(s) on which the depository institution intends to report the funds

A retail sweep program may not exist solely in records or on systems that do not constitute official books and records of the depository institution and that are not used for any purpose other than generating its [Report of Transaction Accounts, Other Deposits and Vault Cash \(FR 2900\)](#) for submission to the Federal Reserve.

Further, for purposes of the Consolidated Reports of Condition and Income, if both of the criteria above are met, a bank must report the transaction account and nontransaction account components of a retail sweep program separately when it reports its quarter-end deposit information in Schedules RC, RC-E, and RC-O; its quarterly averages in Schedule RC-K; and its interest expense (if any) in Schedule RI. Thus, when reporting quarterly averages in Schedule RC-K, a bank should include the amounts held in the transaction account (if interest-bearing) and the nontransaction savings account components of retail sweep arrangements each day or each week in the appropriate separate items for average deposits. In addition, if the bank pays interest on accounts involved in retail sweep arrangements, the interest expense reported in Schedule RI should be allocated between the transaction account and the nontransaction (savings) account based on the balances in these accounts during the reporting period.

Deposits (cont.):(III) Interest-bearing-noninterest-bearing deposit distinction –

- (a) Interest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. Such compensation may be in the form of cash, merchandise, or property or as a credit to an account. An institution's absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest.

Deposits with a zero percent interest rate that are issued on a discount basis are to be treated as interest-bearing. Deposit accounts on which the interest rate is periodically adjusted in response to changes in market interest rates and other factors should be reported as interest-bearing even if the rate has been reduced to zero, provided the interest rate on these accounts can be increased as market conditions change.

- (b) Noninterest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes no payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. An institution's absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest.

Noninterest-bearing deposit accounts include (i) matured time deposits that are not automatically renewable (unless the deposit agreement provides for the funds to be transferred at maturity to another type of account) and (ii) deposits with a zero percent stated interest rate that are issued at face value.

See also "Brokered Deposits" and "Hypothecated Deposits."

Deposits (cont.):

Examples Illustrating Distinctions Between
MONEY MARKET DEPOSIT ACCOUNTS (MMDAs) and OTHER SAVINGS DEPOSITS

Example 1

A savings deposit account permits no transfers of any type to other accounts or to third parties. Report this account as an other savings deposit.

Example 2

A savings deposit permits unlimited, "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties. None of the third-party payments may be made by check, draft, or similar order (including debit card).

Report this account as an other savings deposit.

Example 3

A savings deposit permits unlimited "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties, any or all which may be by check, draft, debit card or similar order made by the depositor and payable to third parties.

Report this account as an MMDA.

Derivative Contracts: Banks commonly use derivative instruments for managing (positioning or hedging) their exposure to market risk (including interest rate risk and foreign exchange risk), cash flow risk, and other risks in their operations and for trading. The accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities are set forth in ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), which banks must follow for purposes of these reports. ASC Topic 815 requires all derivatives to be recognized on the balance sheet as either assets or liabilities at their fair value. A summary of the principal provisions of ASC Topic 815 follows. For further information, see ASC Topic 815, which includes the implementation guidance issued by the FASB's Derivatives Implementation Group.

Definition of Derivative

ASC Topic 815 defines a "derivative instrument" as a financial instrument or other contract with all three of the following characteristics:

- (1) It has one or more underlyings (i.e., specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable) and one or more notional amounts (i.e., number of currency units, shares, bushels, pounds, or other units specified in the contract) or payment provisions or both. These terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.
- (2) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar response to changes in market factors.
- (3) Its terms require or permit net settlement, it can be readily settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Derivative Contracts (cont.):

Certain contracts that may meet the definition of a derivative are specifically excluded from the scope of ASC Topic 815, including:

- "regular-way" securities trades, which are trades that are completed within the time period generally established by regulations and conventions in the marketplace or by the exchange on which the trade is executed;
- normal purchases and sales of an item other than a financial instrument or derivative instrument (e.g., a commodity) that will be delivered in quantities expected to be used or sold by the reporting entity over a reasonable period in the normal course of business;
- traditional life insurance and property and casualty contracts; and
- certain financial guarantee contracts.

ASC Topic 815 has special criteria for determining whether commitments to originate loans meet the definition of a derivative. Commitments to originate mortgage loans that will be held for sale are accounted for as derivatives. Commitments to originate mortgage loans that will be held for investment are not accounted for as derivatives. Also, all commitments to originate loans other than mortgage loans are not accounted for as derivatives. Commitments to purchase loans must be evaluated to determine whether the commitment meets the definition of a derivative under ASC Topic 815.

Types of Derivatives

The most common types of freestanding derivatives are forwards, futures, swaps, options, caps, floors, and collars.

Forward contracts are agreements that obligate two parties to purchase (long) and sell (short) a specific financial instrument, foreign currency, or commodity at a specified price with delivery and settlement at a specified future date.

Futures contracts are standardized forward contracts that are traded on organized exchanges. Exchanges in the U.S. are registered with and regulated by the Commodity Futures Trading Commission. The deliverable financial instruments underlying interest-rate future contracts are specified investment-grade financial instruments, such as U.S. Treasury securities or mortgage-backed securities. Foreign currency futures contracts involve specified deliverable amounts of a particular foreign currency. The deliverable products under commodity futures contracts are specified amounts and grades of commodities such as gold bullion. Equity futures contracts are derivatives that have a portion of their return linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.

Other forward contracts are traded over the counter and their terms are not standardized. Such contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller. A forward rate agreement is a forward contract that specifies a reference interest rate and an agreed on interest rate (one to be paid and one to be received), an assumed principal amount (the notional amount), and a specific maturity and settlement date.

Swap contracts are forward-based contracts in which two parties agree to swap streams of payments over a specified period. The payments are based on an agreed upon notional principal amount. An interest rate swap generally involves no exchange of principal at inception or maturity. Rather, the notional amount is used to calculate the payment streams to be exchanged. However, foreign exchange swaps often involve the exchange of principal.

Option contracts (standby contracts) are traded on exchanges and over the counter. Option contracts grant the right, but do not obligate, the purchaser (holder) to buy (call) or sell (put) a specific or standard commodity, financial, or equity instrument at a specified price during a specified period or at a specified date. A purchased option is a contract in which the buyer has paid compensation (such as a fee or premium) to acquire the right to sell or purchase an instrument at a stated price on a specified

Foreclosed Assets (cont.):

- (1) Full Accrual Method – Under the full accrual method, the disposition is recorded as a sale. Any profit resulting from the sale is recognized in full and the asset resulting from the seller's financing of the transaction is reported as a loan. This method may be used when the following conditions have been met:
- (a) A sale has been consummated;
 - (b) The buyer's initial investment (down payment) and continuing investment (periodic payments) are adequate to demonstrate a commitment to pay for the property;
 - (c) The receivable is not subject to future subordination; and
 - (d) The usual risks and rewards of ownership have been transferred.

Guidelines for the minimum down payment that must be made in order for a transaction to qualify for the full accrual method are set forth in ASC Subtopic 360-20. These vary from five percent to 25 percent of the property's sales value. These guideline percentages vary by type of property and are primarily based on the inherent risk assumed for the type and characteristics of the property. To meet the continuing investment criteria, the contractual loan payments must be sufficient to repay the loan over the customary loan term for the type of property involved. Such periods may range up to 30 years for loans on single family residential property.

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

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

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

- (3) Cost Recovery Method – Dispositions of foreclosed real estate that do not qualify for either the full accrual or installment methods are sometimes accounted for using the cost recovery method. This method recognizes a sale and the corresponding loan, but all income recognition is deferred. Principal payments are applied as a reduction of the loan balance and interest increases the unrecognized gross profit. No profit or interest income is recognized until either (1) the aggregate payments by the borrower exceed the recorded investment in, or the amortized cost basis of, the loan, as applicable, or (2) a change to another accounting method is appropriate (e.g., installment method). Consequently, the loan is maintained in nonaccrual status while this method is being used.
- (4) Reduced-Profit Method – This method is used in certain situations where the institution receives an adequate down payment, but the loan amortization schedule does not meet the requirements for use of the full accrual method. The method recognizes a sale and the corresponding loan. However, like the installment method, any profit is apportioned over the life of the loan as payments are received. The method of apportionment differs from the installment method in that profit recognition is based on the present value of the lowest level of periodic payments required under the loan agreement.

Foreclosed Assets (cont.):

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

- (5) Deposit Method – The deposit method is used in situations where a sale of the foreclosed real estate has not been consummated. It may also be used for dispositions that could be accounted for under the cost recovery method. Under this method a sale is not recorded and the asset continues to be reported as foreclosed real estate. Further, no profit or interest income is recognized. Payments received from the borrower are reported as a liability in Schedule RC-G, item 4, “All other liabilities,” until sufficient payments or other events have occurred which allow the use of one of the other methods.

Accounting under ASC Subtopic 610-20 (and ASC Topic 606) – The amendments to ASC Subtopic 610-20, when effective as a result of ASU 2014-09 (as discussed above), eliminate the prescriptive criteria and methods for sale accounting and gain recognition for dispositions of OREO set forth in ASC Subtopic 360-20. Under ASC Subtopic 610-20, if the buyer of the OREO is a legal entity, an institution should first assess whether it has a controlling financial interest in the legal entity buying the OREO by applying the guidance in ASC Topic 810, Consolidation. If an institution determines that it has a controlling financial interest in the buying legal entity, it should not derecognize the OREO and should apply the guidance in ASC Subtopic 810-10. When an institution does not have a controlling financial interest in the buying legal entity or the OREO buyer is not a legal entity, which is expected to be the case for most sales of OREO, the institution will recognize the entire gain or loss, if any, and derecognize the OREO at the time of sale if the transaction meets certain requirements of ASC Topic 606. Otherwise, the institution generally will continue reporting the OREO as an asset, with any cash payments or other consideration received from the individual or entity acquiring the OREO (i.e., any down payment and any subsequent payments of principal or interest) reported as a liability in Schedule RC-G, item 4, “All other liabilities,” until it becomes appropriate to recognize the revenue and the sale of the OREO in accordance with ASC Subtopic 610-20 and ASC Topic 606.¹

When applying ASC Subtopic 610-20 and Topic 606, an institution will need to exercise judgment in determining whether a contract (within the meaning of Topic 606) exists for the sale or transfer of OREO, whether the institution has performed its obligations identified in the contract, and what the transaction price is for calculation of the amount of gain or loss. These standards apply to all sales or transfers of real estate by institutions, but greater judgment will generally be required for seller-financed sales of OREO.

Under ASC Subtopic 610-20, when an institution does not have a controlling financial interest in the buying legal entity or the OREO buyer is not a legal entity, the institution’s first step in assessing whether it can derecognize an OREO asset and recognize revenue upon the sale or transfer of the OREO is to determine whether a contract exists under the provisions of Topic 606. In the context of an OREO sale or transfer, in order for an institution’s transaction with the party acquiring the property to be a contract under ASC Topic 606, it must meet all the following criteria:

- (a) The parties to the contract have approved the contract and are committed to perform their respective obligations;
- (b) The institution can identify each party’s rights regarding the OREO to be transferred;
- (c) The institution can identify the payment terms for the OREO to be transferred;
- (d) The contract has commercial substance (that is, the risk, timing, or amount of the institution’s future cash flows is expected to change as a result of the contract); and
- (e) It is probable that the institution will collect substantially all of the consideration to which it will be entitled in exchange for OREO that will be transferred to the buyer, i.e. the transaction price. In

¹ Although ASC Topic 606 describes the consideration received (including any cash payments) using such terms as “liability,” “deposit,” and “deposit liability,” for regulatory reporting purposes these amounts should be reported in Schedule RC-G, item 4, and not as a deposit in Schedule RC, item 13.

Foreign Currency Transactions and Translation (cont.):

Foreign currency transaction gains or losses on intercompany foreign currency transactions of a long-term investment nature (i.e., settlement is not planned or anticipated in the foreseeable future), when the parties to the transaction are consolidated, combined, or accounted for by the equity method in the bank's Consolidated Reports of Condition and Income are to be excluded from the determination of net income. For further information, refer to the Glossary entry for "foreign currency transactions and translation" in the instructions for the [FFIEC 031](#) and [FFIEC 041](#) Call Reports.:

In addition, the entire change in the fair value of foreign-currency-denominated available-for-sale debt securities should not be included in "Realized gains (losses) on available-for-sale debt securities" (Schedule RI, item 6.b), but should be reported in Schedule RI-A, item 10, "Other comprehensive income." These fair value changes should be accumulated in the "Net unrealized holding gains (losses) on available-for-sale securities" component of "Accumulated other comprehensive income" in Schedule RC, item 26.b. However, if a decline in fair value of a foreign-currency-denominated available-for-sale debt security is judged to be other than temporary, the cost basis of the individual security shall be written down to fair value as a new cost basis and the amount of the write-down shall be included in earnings (Schedule RI, item 6.b).

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

For further guidance, refer to ASC Topic 830, Foreign Currency Matters (formerly FASB Statement No. 52, "Foreign Currency Translation").

Foreign Debt Exchange Transactions: Foreign debt exchange transactions generally fall into three categories: (1) loan swaps, (2) debt/equity swaps, and (3) debt-for-development swaps. These transactions are to be reported in the Consolidated Reports of Condition and Income in accordance with generally accepted accounting principles. Generally accepted accounting principles require that these transactions be reported at their fair value. For further information on these transactions, see the Glossary entry for "Foreign debt exchange transactions" in the instructions for the [FFIEC 031](#) and [FFIEC 041](#) Call Reports.

Foreign Governments and Official Institutions: Foreign governments and official institutions are central, state, provincial, and local governments in foreign countries and their ministries, departments, and agencies. These include treasuries, ministries of finance, central banks, development banks, exchange control offices, stabilization funds, diplomatic establishments, fiscal agents, and nationalized banks and other banking institutions that are owned by central governments and that have as an important part of their function activities similar to those of a treasury, central bank, exchange control office, or stabilization fund. For purposes of these reports, other government-owned enterprises are not included.

Also included as foreign official institutions are international, regional, and treaty organizations, such as the International Monetary Fund, the International Bank for Reconstruction and Development (World Bank), the Bank for International Settlements, the Inter-American Development Bank, and the United Nations.

Foreign Office: For purposes of these reports, a foreign office of the reporting bank is a branch or consolidated subsidiary located in a foreign country; an Edge or Agreement subsidiary, including both its U.S. and its foreign offices; or an IBF. In addition, if the reporting bank is chartered and headquartered in the 50 states of the United States and the District of Columbia, a branch or consolidated subsidiary located in Puerto Rico or a U.S. territory or possession is a foreign office. Branches on U.S. military facilities wherever located are treated as domestic offices, not foreign offices.

Forward Contracts: See "derivative contracts."

Functional Currency: See "foreign currency transactions and translation."

Futures Contracts: See "derivative contracts."

Goodwill: According to ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"), goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The private company accounting alternative for identifiable intangible assets acquired in a business combination is discussed in a subsection of this Glossary entry. In addition, see "acquisition method" in the Glossary entry for "business combinations" for guidance on the recognition and initial measurement of goodwill acquired in a business combination.

Subsequent Measurement of Goodwill – Goodwill should not be amortized, but must be tested for impairment at the reporting unit level at least annually, unless an institution meets the definition of a private company, as defined in U.S. GAAP, and elects either or both of the goodwill accounting alternatives described below. Any impairment losses recognized on goodwill during the year-to-date reporting period should be reported in Schedule RI, item 7.c.(1), "Goodwill impairment losses," except those impairment losses associated with discontinued operations, which should be reported on a net-of-tax basis in Schedule RI, item 11. Goodwill, net of any impairment losses, should be reported on the balance sheet in Schedule RC, item 10, and in Schedule RC-M, item 2.b.

Private Company Accounting Alternatives for Goodwill – ASC Subtopic 350-20, Intangibles-Goodwill and Other – Goodwill, generally permits a private company, as defined in U.S. GAAP, to elect an accounting alternative for goodwill under which goodwill is amortized on a straight-line basis over a period of ten years (or less than ten years if more appropriate) and a simplified impairment model is applied to goodwill. In addition, if a private company chooses to adopt this goodwill accounting alternative, the private company is required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill must be tested for impairment when a triggering event occurs that indicates that the fair value of an entity or a reporting unit, as appropriate under this private company's accounting policy election, may be below its carrying amount. Alternatively, ASC Subtopic 350-20, Intangibles – Goodwill and Other – Goodwill, as amended by ASU 2021-03, "Accounting Alternative for Evaluating Triggering Events," allows a private company to elect to evaluate goodwill, at each reporting date instead of the requirement to monitor goodwill impairment triggering events during the reporting period. Private companies that elect the triggering event alternative evaluate the facts and circumstances at the end of each reporting period to determine whether a triggering event exists, and if so, whether it is more likely than not that goodwill is impaired.

U.S. GAAP for a public business entity does not permit goodwill to be amortized, instead requiring goodwill to be tested for impairment at the reporting unit level annually and between annual tests in certain circumstances. For information on the distinction between a private company and a public business entity, see the Glossary entry for "public business entity."

A bank or savings association that meets the definition of a private company is permitted, but not required to adopt the private company accounting alternatives for goodwill. If a private institution issues U.S. GAAP financial statements and chooses to adopt either or both the private company alternatives, it should apply the goodwill accounting alternative(s) in its Call Report in a manner consistent with its reporting of goodwill in its financial statements.

Goodwill amortization expense should be reported in item 7.c.(1) of the Call Report income statement (Schedule RI) unless the amortization is associated with a discontinued operation, in which case the goodwill amortization should be included within the results of discontinued operations and reported in Schedule RI, item 11.

Goodwill Impairment Testing – ASC Subtopic 350-20 provides guidance for testing and reporting goodwill impairment losses, a summary of which follows. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Because the fair value of goodwill can be measured only as a residual and cannot be measured directly, ASC Subtopic 350-20 includes a methodology for estimating the implied fair value of goodwill for impairment measurement purposes.

Goodwill (cont.):

Whether or not the reporting institution is a subsidiary of a holding company or other company, the institution's goodwill must be tested for impairment using the institution's reporting units (unless the institution is a private company that has elected the goodwill accounting alternative and has made an accounting policy election to test goodwill for impairment at the entity level). Goodwill should be assigned to reporting units in accordance with ASC Subtopic 350-20. The institution itself may be a reporting unit.

Unless it is an institution that is a private company that has elected either or both goodwill alternatives described above, goodwill of a reporting unit must be tested for impairment annually and between annual tests upon the occurrence of a triggering event, i.e., if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Examples of triggering events or circumstances include a significant adverse change in the business climate, unanticipated competition, a loss of key personnel, and a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of. In addition, goodwill must be tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

When testing the goodwill of a reporting unit¹ for impairment, an institution has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Subtopic 350-20. If determined to be necessary, the two-step impairment test shall be used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized (if any). However, an institution may choose to bypass the qualitative assessment option for any reporting unit in any period and proceed directly to performing the two-step quantitative goodwill impairment test described below.

Qualitative Assessment – If an institution performs a qualitative assessment and, after considering all relevant events and circumstances, determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the institution does not need to perform the two-step quantitative goodwill impairment test. In other words, if it is more likely than not that the fair value of a reporting unit is greater than its carrying amount; an institution would not have to quantitatively test the unit's goodwill for impairment.

However, if the institution instead concludes that the opposite is true (that is, it is more likely than not that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the two-step quantitative goodwill impairment test described below.

ASC Subtopic 350-20 includes examples of events and circumstances that an institution should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Because the examples are not all-inclusive, other relevant events and circumstances also must be considered.

¹ For purposes of the discussions of goodwill impairment testing, the qualitative assessment, and the quantitative impairment test, if an institution is a private company that has elected the goodwill accounting alternative and also has elected to test goodwill for impairment at the entity level, references to the reporting unit should be read as references to the entity.

Goodwill (cont.):Quantitative Impairment Test –

- **Step 1:** The first step of the goodwill impairment test compares the fair value of a reporting unit¹ with its carrying amount, including goodwill. If the carrying amount of a reporting unit is greater than zero² and its fair value exceeds its carrying amount, the reporting unit's goodwill is considered not impaired and the second step of the impairment test is unnecessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any.
- **Step 2:** The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill³ with the carrying amount of that goodwill. If the implied fair value of the reporting unit's goodwill exceeds the carrying amount of that goodwill, the goodwill is considered not impaired. In contrast, if the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss must be recognized in earnings in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

After an impairment loss is recognized on a reporting unit's goodwill, the adjusted carrying amount of that goodwill (i.e., the carrying amount of the goodwill before recognizing the impairment loss less the amount of the impairment loss) shall be its new accounting basis. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is completed.

Disposal of a Reporting Unit or a Business – When a reporting unit is to be disposed of in its entirety, goodwill of that reporting unit must be included in the carrying amount of the reporting unit when determining the gain or loss on disposal. When a portion of a reporting unit (or a portion of the entity if the institution is a private company that has elected the goodwill accounting alternative and also has elected to test goodwill for impairment at the entity level) that constitutes a business is to be disposed of, goodwill associated with that business must be included in the carrying amount of the business in determining the gain or loss on disposal. Otherwise, an institution may not remove goodwill from its balance sheet, for example, by "selling" or "dividending" this asset to its parent holding company or another affiliate.

Accounting by Private Companies for Identifiable Intangible Assets Acquired in a Business Combination – ASC Subtopic 805-20, Business Combinations – Identifiable Assets and Liabilities, and Any Noncontrolling Interest, provides an accounting alternative that permits a private company, as defined in U.S. GAAP, to simplify the accounting for certain intangible assets. This accounting alternative applies when a private company is required to recognize or otherwise consider the fair value of intangible assets as a result of certain transactions, including when applying the acquisition method to a business combination under ASC Topic 805. A private company that elects the accounting alternative for identifiable intangible assets should no longer recognize separately from goodwill:

- Customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of a business, and
- Noncompetition agreements.

¹ The fair value of a reporting unit is the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date.

² An institution should refer ASC Subtopic 350-20 for guidance on applying the quantitative impairment test if the carrying amount of a reporting unit is zero or negative.

³ The implied fair value of goodwill should be determined in the same manner as the amount of goodwill recognized in a business combination is determined. That is, an institution must assign the fair value of a reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination.

Nonaccrual Status (cont.):

- (3) For an institution that has adopted ASU 2016-13, the following criteria are met for a purchased credit-deteriorated (PCD) asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI loans, that would otherwise be required to be placed in nonaccrual status under the general rule:
- (a) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
 - (b) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

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

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Nonaccrual Status (cont.):

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

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

Institutions that have adopted ASC Topic 326 should refer to the Glossary entry for "accrued interest receivable" for information on the treatment of previously accrued interest.

Treatment of cash payments and criteria for the cash basis recognition of income – When doubt exists as to the collectibility of the remaining recorded investment in a nonaccrual asset (or the amortized cost basis of a nonaccrual asset, if the institution has adopted ASC Topic 326), any payments received must be applied to reduce the recorded investment in, or the amortized cost basis of, the asset, as applicable, to the extent necessary to eliminate such doubt. Placing an asset in nonaccrual status does not, in and of itself, require a charge-off, in whole or in part, of the asset's recorded investment or amortized cost basis, as applicable. However, any identified losses must be charged off.

While an asset is in nonaccrual status, some or all of the cash interest payments received may be treated as interest income on a cash basis as long as the remaining recorded investment in, or the amortized cost basis of, the asset, as applicable, (i.e., after charge-off of identified losses, if any) is deemed to be fully collectible.¹ A bank's determination as to the ultimate collectibility of the asset's remaining recorded investment, or amortized cost basis, as applicable, must be supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment, including consideration of the borrower's historical repayment performance and other relevant factors.

When recognition of interest income on a cash basis is appropriate, it should be handled in accordance with generally accepted accounting principles. One acceptable accounting practice involves allocating contractual interest payments among interest income, reduction of the recorded investment in, or the amortized cost basis of, the asset, as applicable, and recovery of prior charge-offs. If this method is used, the amount of income that is recognized would be equal to that which would have been accrued on the asset's remaining recorded investment at the contractual rate. A bank may also choose to account for the contractual interest in its entirety either as income, reduction of the recorded investment in, or the amortized cost basis of, the asset, as applicable, or recovery of prior charge-offs, depending on the condition of the asset, consistent with its accounting policies for other financial reporting purposes.

¹ An asset in nonaccrual status that is subject to the cost recovery method required by ASC Subtopic 325-40, Investments-Other-Beneficial Interests in Securitized Financial Assets, should follow that method for reporting purposes. In addition, when a PCI loan, pool of loans, or debt security that is accounted for in accordance with ASC Subtopic 310-30 (or when a PCD asset that is accounted for in accordance with ASC Subtopic 326-20, if the institution has adopted ASC Topic 326) has been placed in nonaccrual status, the cost recovery method should be used, when appropriate.

Nonaccrual Status (cont.):

Restoration to accrual status – As a general rule, a nonaccrual asset may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the bank expects repayment of the remaining contractual principal and interest, or (2) when it otherwise becomes well secured and in the process of collection. If any interest payments received while the asset was in nonaccrual status were applied to reduce the recorded investment in, or the amortized cost basis of, the asset, as applicable, as discussed in the preceding section of this entry, the application of these payments to the asset's recorded investment or amortized cost basis, as applicable, should not be reversed (and interest income should not be credited) when the asset is returned to accrual status.

For purposes of meeting the first test, the bank must have received repayment of the past due principal and interest unless:

- (1) The asset has been formally restructured and qualifies for accrual status as discussed below;
- (2) For an institution that has not adopted ASU 2016-13, the asset is a PCI loan, pool of loans, or debt security accounted for in accordance with ASC Subtopic 310-30 and it meets the criteria for accrual of income under the interest method specified therein;
- (3) For an institution that has adopted ASU 2016-13, the asset is a PCD asset and it meets the two criteria specified in the third exception to the general rule discussed above; or
- (4) The borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and the following two criteria are met. These criteria are, first, that all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within a reasonable period and, second, that there is a sustained period of repayment performance (generally a minimum of six months) by the borrower in accordance with the contractual terms involving payments of cash or cash equivalents. A loan that meets these two criteria may be restored to accrual status, but must continue to be disclosed as past due in Schedule RC-N until it has been brought fully current or until it later must be placed in nonaccrual status.

A loan or other debt instrument that has been formally restructured in a troubled debt restructuring so as to be reasonably assured of repayment (of principal and interest) and of performance according to its modified terms need not be maintained in nonaccrual status, provided the restructuring and any charge-off taken on the asset are supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment under the revised terms. Otherwise, the restructured asset must remain in nonaccrual status. The evaluation must include consideration of the borrower's sustained historical repayment performance for a reasonable period prior to the date on which the loan or other debt instrument is returned to accrual status. A sustained period of repayment performance generally would be a minimum of six months and would involve payments of cash or cash equivalents. (In returning the asset to accrual status, sustained historical repayment performance for a reasonable time prior to the restructuring may be taken into account.) Such a restructuring must improve the collectability of the loan or other debt instrument in accordance with a reasonable repayment schedule and does not relieve the bank from the responsibility to promptly charge off all identified losses.

A troubled debt restructuring may involve a multiple note structure in which, for example, a troubled loan is restructured into two notes. The first or "A" note represents the portion of the original loan principal amount that is expected to be fully collected along with contractual interest. The second or "B" note represents the portion of the original loan that has been charged off and, because it is not reflected as an asset and is unlikely to be collected, could be viewed as a contingent receivable. For a troubled debt restructuring of a collateral-dependent loan involving a multiple note structure, the amount of the "A" note should be determined using the fair value of the collateral. The "A" note may be returned to accrual status provided the conditions in the preceding paragraph are met and: (1) there is economic substance to the restructuring and it qualifies as a troubled debt restructuring under generally accepted accounting principles, (2) the portion of the original loan represented by the "B" note has been charged off before or at the time of the restructuring, and (3) the "A" note is reasonably assured of repayment and of performance in accordance with the modified terms.

Purchased Credit-Deteriorated Assets (cont.):

purchase price of the financial assets rather than recording these losses through provisions for credit losses. This establishes the initial amortized cost basis of the PCD assets. An institution may use either a discounted or an undiscounted cash flow method at acquisition to determine this ACL. Subsequent ACL measurements for acquired financial assets with more-than-insignificant credit deterioration since origination are to be measured under ASC Topic 326 as with (1) originated financial assets and (2) purchased financial assets that do not have a more-than-insignificant deterioration in credit quality at acquisition.

Institutions that measure expected credit losses for PCD assets on a pool basis shall continue to evaluate whether financial assets in the pool continue to share similar risk characteristics with the other financial assets in the pool. If there have been changes in credit risk, borrower circumstances, recognition of a charge-off, or cash collections of interest applied to principal while the asset is in nonaccrual status, an institution may determine that either the financial asset has similar risk characteristics with another pool or the credit loss measurement should be performed on an individual financial asset basis because the financial asset does not share risk characteristics with other financial assets. Institutions that measure the ACL on a collective basis shall allocate the ACL and any noncredit discount or premium to the individual PCD assets unless the institution elected the transition option to account for existing PCI loan pools as PCD pools upon adoption of ASC Topic 326.

Any difference between the unpaid principal balance of the PCD asset and the amortized cost basis of the asset as of the acquisition date is the noncredit discount or premium. Provided the asset remains in accrual status, the noncredit discount or premium recorded at acquisition is accreted into interest income over the remaining life of the PCD asset on a level-yield basis. In contrast, regardless of whether a PCD asset is in nonaccrual or accrual status, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of the asset that is attributable to the acquirer's assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). In addition, interest income should no longer be recognized on a PCD asset to the extent that the net investment in the asset would increase to an amount greater than the payoff amount.

ASC Subtopic 310-10, Receivables – Overall, does not prohibit an institution from placing a PCD asset in nonaccrual status. Because a PCD asset is an acquired financial asset that, at acquisition, has experienced a more-than-insignificant deterioration in credit quality since origination, as determined by an acquiring institution's assessment, the acquiring institution must determine upon acquisition whether it is appropriate to place the PCD asset in accrual status, including accreting the noncredit discount or premium.

For purposes of these reports, if an institution has a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI loans, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for "nonaccrual status"), the institution may elect to accrue interest income on the PCD asset and not report the PCD asset as being in nonaccrual status if the following criteria are met:

- (a) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
- (b) The institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

When a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the institution's net income is not materially overstated. If an institution is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis (fair value for a PCD available-for-sale debt security) in Schedule RC-N, column C.

For PCD assets for which the institution has made a policy election to maintain previously existing pools of PCI loans upon adoption of ASU 2016-13, the determination of nonaccrual or accrual status should be made at the pool level, not the individual asset level.

Purchased Credit-Deteriorated Assets (cont.):

For a PCD asset that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset (fair value for a PCD available-for-sale debt security) as past due in Schedule RC-N, column A or B, as appropriate. If the PCD asset that is not reported in nonaccrual status consists of a pool of loans that was previously PCI, but is being maintained as a unit of account after the adoption of ASU 2016-13, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms.

For further information on the reporting of interest income on PCD assets, institutions should refer to the Glossary entry for "nonaccrual status" and ASC Subtopic 310-10, Receivables – Overall.

Deferred Tax Asset Considerations – An institution's provisions for credit losses that increase the amount of the ACL also increase the amount of the deductible temporary difference associated with the ACL and the related deferred tax asset because the provisions are expensed for financial reporting purposes. These increases in the ACL typically are not deducted in the same period for income tax purposes. Tax deductions for credit losses typically occur in the period when financial assets are actually charged off. However, an addition to the ACL as of the acquisition date of a PCD asset (i.e., the "gross-up") does not create such a deductible temporary difference or a deferred tax asset. An institution's deferred tax assets should be calculated at the report date by applying the "applicable tax rate" based on the institution's total deductible temporary differences. See the Glossary entry for "income taxes" for information on how to determine the tax effect of such a temporary difference and the need for any deferred tax asset valuation allowance.

See also the Glossary entries for "allowance for credit losses" and "nonaccrual status."

Purchased Credit-Impaired Loans and Debt Securities: This Glossary entry applies to institutions that have not adopted ASC Topic 326, Financial Instruments–Credit Losses. Institutions that have adopted ASC Topic 326 should refer to the Glossary entry for "purchased credit-deteriorated assets."

Purchased credit-impaired loans and debt securities are loans and debt securities that an institution has purchased or otherwise acquired by completion of a transfer, including those acquired in a purchase business combination, where there is evidence of deterioration of credit quality since the origination of the loan or debt security and it is probable, at the acquisition date, that the institution will be unable to collect all contractually required payments receivable. Such loans and debt securities must be accounted for in accordance with ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality. ASC Subtopic 310-30 does not apply to loans that an institution has originated.

Purchased Credit-Impaired Loans and Debt Securities (cont.):

Under ASC Subtopic 310-30, a purchased credit-impaired loan or debt security is initially recorded at its purchase price (in a purchase business combination, the present value of amounts to be received). ASC Subtopic 310-30 limits the yield that may be accreted on the loan or debt security (the accretable yield) to the excess of the institution's estimate of the undiscounted principal, interest, and other cash flows expected at acquisition to be collected on the asset over the institution's initial investment in the asset. The excess of the contractually required payments receivable on the loan or debt security over the cash flows expected to be collected, which is referred to as the nonaccretable difference, must not be recognized as an adjustment of yield, loss accrual, or valuation allowance. Neither the accretable yield nor the nonaccretable difference may be shown on the balance sheet (Schedule RC). After acquisition, increases in the cash flows expected to be collected generally should be recognized prospectively as an adjustment of the asset's yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as an impairment.

For purposes of applying the guidance in ASC Subtopic 310-30 to loans not accounted for as debt securities, an institution may aggregate loans acquired in the same fiscal quarter that have common risk characteristics and thereby use a composite interest rate and expectation of cash flows expected to be collected for the pool. To be eligible for aggregation, each loan first should be determined individually to meet the scope criteria in the first sentence of this Glossary entry. After determining that certain acquired loans individually meet these scope criteria, the institution may evaluate whether such loans have common risk characteristics, thus permitting the aggregation of such loans into one or more pools. The aggregation must be based on common risk characteristics that include similar credit risk or risk ratings, and one or more predominant risk characteristics, such as financial asset type, collateral type, size, interest rate, date of origination, term, and geographic location. Upon establishment of a pool of purchased credit-impaired loans, the pool becomes the unit of account.

Once a pool of purchased credit-impaired loans is assembled, the integrity of the pool must be maintained. An institution should remove an individual loan from a pool of purchased credit-impaired loans only if the institution sells, forecloses, or otherwise receives assets in satisfaction of the loan or if the loan is written off. When an individual loan is removed from a pool of purchased credit-impaired loans under these circumstances, the loan shall be removed at its carrying amount. Carrying amount is defined as the loan's current contractually required payments receivable less its remaining nonaccretable difference, accretable yield, and any post-acquisition loan loss allowance. An institution that accounts for a pool of purchased credit-impaired loans with common risk characteristics as one unit of account may or may not document and maintain data on the nonaccretable difference and accretable yield on a loan-by-loan basis. Accordingly, for purposes of determining the carrying amount of an individual loan in the pool, an institution may apply a systematic and rational approach to allocating the nonaccretable difference and accretable yield for the pool to an individual loan in the pool. One acceptable approach is a pro rata allocation of the pool's total remaining nonaccretable difference and accretable yield to an individual loan in proportion to the loan's current contractually required payments receivable compared to the pool's total contractually required payments receivable.

A refinancing or restructuring of a loan within a pool of purchased credit-impaired loans should not result in the removal of the loan from the pool. In addition, a modification of the terms of a loan within a pool of purchased credit-impaired loans is not considered a troubled debt restructuring under the scope exceptions in ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended). However, a modification of the terms of a purchased credit-impaired loan accounted for individually must be evaluated to determine whether the modification represents a troubled debt restructuring that should be accounted for in accordance with ASC 310-40. For further information, see the Glossary entry for "troubled debt restructurings."

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Servicing Assets and Liabilities (cont.):

increased obligation based on fair value at each quarter-end report date. The servicing assets within a class should be stratified into groups based on one or more of the predominant risk characteristics of the underlying financial assets. If the carrying amount of a stratum of servicing assets exceeds its fair value, the bank should separately recognize impairment for that stratum by reducing the carrying amount to fair value through a valuation allowance for that stratum. The valuation allowance should be adjusted to reflect changes in the measurement of impairment subsequent to the initial measurement of impairment. For the servicing liabilities within a class, if subsequent events have increased the fair value of the liability above the carrying amount of the servicing liabilities, the bank should recognize the increased obligation as a loss in current earnings.

Under the fair value measurement method, all servicing assets or servicing liabilities in a class should be measured at fair value at each quarter-end report date. Changes in the fair value of these servicing assets and servicing liabilities should be reported in earnings in the period in which the changes occur.

For purposes of these reports, servicing assets resulting from contracts to service loans secured by real estate (as defined for Schedule RC-C, Part I, item 1, in the Glossary entry for "Loans secured by real estate") should be reported in Schedule RC-M, item 2.a, "Mortgage servicing assets." Servicing assets resulting from contracts to service all other financial assets should be reported in Schedule RC-M, item 2.c, "All other intangible assets." When reporting the carrying amount of mortgage servicing assets in Schedule RC-M, item 2.a, and nonmortgage servicing assets in Schedule RC-M, item 2.c, banks should include all classes of servicing accounted for under the amortization method as well as all classes of servicing accounted for under the fair value measurement method. The fair value of all recognized mortgage servicing assets should be reported in Schedule RC-M, item 2.a.(1), regardless of the subsequent measurement method applied to these assets. The amount of mortgage servicing assets reported in Schedule RC-M, item 2.a, should be used when determining the amount of such assets, net of associated deferred tax liabilities, that exceeds the common equity tier 1 capital deduction thresholds in Schedule RC-R, Part I. Servicing liabilities should be reported in Schedule RC-G, item 4, "All other liabilities." In the Call Reports for June and December, if the amount of servicing liabilities is greater than \$100,000 and exceeds 25 percent of "All other liabilities," this amount should be itemized and described in Schedule RC-G, item 4.f, 4.g, or 4.h, as appropriate.

Servicing assets and servicing liabilities may not be netted on the balance sheet (Schedule RC), but must be reported gross as assets and liabilities, respectively.

Changes in the fair value of any class of servicing assets and servicing liabilities accounted for under the fair value measurement method should be included in earnings in Schedule RI, item 5.f, "Net servicing fees." In addition, an institution must report in Schedule SU, item 6, whether it services any closed-end 1-4 family residential mortgage loans or more than \$10 million of other financial assets. If so, the institutions must report information about the serviced assets in Schedule SU, item 6.a.

Settlement Date Accounting: See "trade date and settlement date accounting."

Shell Branches: Shell branches are limited service branches that do not conduct transactions with residents, other than with other shell branches, in the country in which they are located. Transactions at shell branches are usually initiated and effected by their head office or by other related branches outside the country in which the shell branches are located, with records and supporting documents maintained at the initiating offices. Examples of such locations are the Bahamas and the Cayman Islands.

Short Position: When an institution sells an asset that it does not own or sells more of an asset than it owns, it has established a short position. If an institution is in a short position with respect to a particular asset on the report date, the institution shall report its liability to purchase the asset in Schedule RC, item 15, "Trading liabilities." In this situation, the right to receive payment shall be reported in Schedule RC-F, item 6, "All other assets." Because short positions are reported as trading liabilities, each short position should be reported and measured at fair value as defined by ASC Topic 820, Fair Value Measurement. Changes in the fair value measurement of trading liabilities should be

Short Position (cont.):

recognized on Schedule RI, item 5.c, "Trading revenue."

For Call Report purposes, if an institution holds a trading asset (i.e., a long position) and sells more of the identical trading asset than it owns, the institution may report the net amount of the long and short positions as a trading liability only if an identical unique identifier, such as a CUSIP or ISIN number,¹ is used to determine such net amount and the institution has determined that this reporting treatment is appropriate under U.S. GAAP.

Significant Subsidiary: See "subsidiaries."

Standby Letter of Credit: See "letter of credit."

Start-Up Activities: Guidance on the accounting and reporting for the costs of start-up activities, including organization costs, is set forth in ASC Subtopic 720-15, Other Expenses – Start-Up Costs (formerly AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities"). A summary of this accounting guidance follows. For further information, see ASC Subtopic 720-15.

Start-up activities are defined broadly as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer, or commencing some new operation. Start-up activities include activities related to organizing a new entity, such as a new bank, the costs of which are commonly referred to as organization costs.²

Costs of start-up activities, including organization costs, should be expensed as incurred. Costs of acquiring or constructing premises and fixed assets and getting them ready for their intended use are not start-up costs, but the costs of using such assets that are allocated to start-up activities (e.g., depreciation of computers) are considered start-up costs.

For a new bank, pre-opening expenses such as salaries and employee benefits, rent, depreciation, supplies, directors' fees, training, travel, postage, and telephone are considered start-up costs.

Pre-opening income earned and expenses incurred from the bank's inception until the date the bank commences operations should be reported in the Consolidated Report of Income using one of the two following methods, consistent with the manner in which the bank reports pre-opening income and expenses for other financial reporting purposes:

- (1) Pre-opening income and expenses for the entire period from the bank's inception until the date the bank commences operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commence; or
- (2) Pre-opening income and expenses for the period from the bank's inception until the beginning of the calendar year in which the bank commences operations should be included, along with the bank's opening (original) equity capital, in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net." The net amount of these pre-opening income and expenses should be identified and described in Schedule RI-E, item 7. Pre-opening income earned and expenses incurred during the calendar year in which the bank commences operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commence.

¹ A Committee on Uniform Securities Identification Procedures (CUSIP) number or an International Securities Identification Number (ISIN) is used to uniquely identify a specific security.

² Organization costs for a bank are the direct costs incurred to incorporate and charter the bank. Such costs include, but are not limited to, professional (e.g., legal, accounting, and consulting) fees and printing costs directly related to the chartering or incorporation process, filing fees paid to chartering authorities, and the cost of economic impact studies.

Start-Up Activities (cont.):

The organization costs of forming a holding company and the costs of other holding company start-up activities are sometimes paid by the bank that will be owned by the holding company. Because these are the holding company's costs, whether or not the holding company formation is successful, they should not be reported as expenses of the bank. Accordingly, any unreimbursed costs paid by the bank on behalf of the holding company should be reported as a cash dividend to the holding company in Schedule RI-A, item 9. In addition, if a new bank and holding company are being formed at the same time, the costs of the bank's start-up activities, including its organization costs, should be reported as start-up costs for the bank. If the holding company pays these costs for the bank but is not reimbursed by the bank, the bank should treat the holding company's forgiveness of payment as a capital contribution, which should be reported in Schedule RI-A, item 11, "Other transactions with stockholders (including a parent holding company)," and in Schedule RI-E, item 5.

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Trade Date and Settlement Date Accounting (cont.):

from the asset category in which it was recorded, and the proceeds receivable resulting from the sale shall be reported in Schedule RC-F, item 6, "All other assets." Any gain or loss resulting from such transaction shall also be recognized on the trade date. On the settlement date, disbursement of the payment or receipt of the proceeds will eliminate the respective "All other liabilities" or "All other assets" entry resulting from the initial recording of the transaction.

Under settlement date accounting, assets purchased are not recorded until settlement date. On the trade date, no entries are made. Upon receipt of the assets on the settlement date, the asset is reported in the proper asset category and payment is disbursed. The selling bank, on the trade date, would make no entries. On settlement date, the selling bank would reduce the appropriate asset category and reflect the receipt of the payment. Any gain or loss resulting from such transaction would be recognized on the settlement date.

Trading Account: Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as accommodations to customers, provided that acquiring or taking such positions meets the definition of "trading" in ASC Topic 320, Investments—Debt Securities, and ASC Topic 815, Derivatives and Hedging, and the definition of "trading purposes" in ASC Topic 815.

For purposes of the Consolidated Reports of Condition and Income, all debt securities within the scope of ASC Topic 320, Investments-Debt Securities, that a bank has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities. In addition, for purposes of these reports, banks may classify assets (other than debt securities within the scope of ASC Topic 320 for which a fair value option is elected) and liabilities as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets and liabilities as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a bank would generally not classify a loan to which it has applied the fair value option as a trading asset unless the bank holds the loan, which it manages as a trading position, for one of the following purposes: (1) for market making activities, including such activities as accumulating loans for sale or securitization; (2) to benefit from actual or expected price movements; or (3) to lock in arbitrage profits.

All trading assets should be segregated from a bank's other assets and reported in Schedule RC, item 5, "Trading assets."

A bank's failure to establish a separate account for assets that are used for trading purposes does not prevent such assets from being designated as trading for purposes of these reports. For further information, see ASC Topic 320.

All trading account assets should be reported at their fair value as defined by ASC Topic 820, Fair Value Measurement, with unrealized gains and losses recognized in Schedule RI, item 5.c, "Trading revenue." When a security or other asset is acquired, a bank should determine whether it intends to hold the asset for trading or for investment (e.g., for securities, available-for-sale or held-to-maturity). A bank should not record a newly acquired asset in a suspense account and later determine whether it was acquired for trading or investment purposes. Regardless of how a bank categorizes a newly acquired asset, management should document its decision.

All trading liabilities should be segregated from other transactions and reported in Schedule RC, item 15, "Trading liabilities." The trading liability account includes the fair value of derivative contracts held for trading that are in loss positions and short positions arising from sales of securities and other assets that the bank does not own. (See the Glossary entry for "short position.") Trading account liabilities should be reported at fair value as defined by ASC Topic 820 with unrealized gains and losses recognized in Schedule RI, item 5.c, "Trading revenue."

Trading Account (cont.):

Given the nature of the trading account, transfers into or from the trading category should be rare. Transfers between a trading account and any other account of the bank must be recorded at fair value at the time of the transfer. For a security transferred from the trading category, the unrealized holding gain or loss at the date of the transfer will already have been recognized in earnings and should not be reversed. For a security transferred into the trading category, the unrealized holding gain or loss at the date of the transfer should be recognized in earnings.

Transaction Account: See "deposits."

Transactions Between Entities under Common Control: See "business combinations."

Transfers of Financial Assets: The accounting and reporting standards for transfers of financial assets are set forth in ASC Topic 860, Transfers and Servicing. Banks must follow ASC Topic 860 for purposes of these reports. ASC Topic 860 limits the circumstances in which a financial asset, or a portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset or when the transferor has continuing involvement with the transferred financial asset. ASC Topic 860 also defines a "participating interest" (which is discussed more fully below) and establishes the accounting and reporting standards for loan participations, syndications, and other transfers of portions of financial assets. A summary of these accounting and reporting standards follows. For further information, see ASC Topic 860.

A financial asset is cash, evidence of an ownership interest in another entity, or a contract that conveys to the bank a contractual right either to receive cash or another financial instrument from another entity or to exchange other financial instruments on potentially favorable terms with another entity. Most of the assets on a bank's balance sheet are financial assets, including balances due from depository institutions, securities, federal funds sold, securities purchased under agreements to resell, loans and lease financing receivables, and interest-only strips receivable.¹ However, servicing assets are not financial assets. Financial assets also include financial futures contracts, forward contracts, interest rate swaps, interest rate caps, interest rate floors, and certain option contracts.

A transferor is an entity that transfers a financial asset, an interest in a financial asset, or a group of financial assets that it controls to another entity. A transferee is an entity that receives a financial asset, an interest in a financial asset, or a group of financial assets from a transferor.

In determining whether a bank has surrendered control over transferred financial assets, the bank must first consider whether the entity to which the financial assets were transferred would be required to be consolidated by the bank. If it is determined that consolidation would be required by the bank, then the transferred financial assets would not be treated as having been sold in the bank's Consolidated Reports of Condition and Income even if all of the other provisions listed below are met.²

Determining Whether a Transfer Should be Accounted for as a Sale or a Secured Borrowing – A transfer of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset in which the transferor surrenders control over those financial assets shall be accounted for as a sale if and only if all of the following conditions are met:

¹ ASC Topic 860 defines an interest-only strip receivable as the contractual right to receive some or all of the interest due on a bond, mortgage loan, collateralized mortgage obligation, or other interest-bearing financial asset.

² The requirements in ASC Subtopic 810-10, Consolidation – Overall, should be applied to determine when a variable interest entity should be consolidated. For further information, refer to the Glossary entry for "variable interest entity."

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- 3.a** on Schedule RC, Balance Sheet, at fair value under a fair value option with changes in fair value recognized in earnings.
(cont.)
- 3.b** **Aggregate amount of fair value option liabilities.** Report the total fair value, as defined by ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, “Fair Value Measurements”), of those financial and servicing liabilities your institution has elected to report on Schedule RC, Balance Sheet, at fair value under a fair value option with changes in fair value recognized in earnings.
- 3.c** **Year-to-date net gains (losses) recognized in earnings on fair value option 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 your institution has elected to account 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”) and ASC Subtopic 860-50, Transfers and Servicing – Servicing Assets and Liabilities (formerly FASB Statement No. 156, “Accounting for Servicing of Financial Assets”).
- 3.d** **Year-to-date net gains (losses) recognized in earnings on fair value option liabilities.** Report the total amount of pretax gains (losses) from fair value changes included in earnings during the calendar year to date for all 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”) and ASC Subtopic 860-50, Transfers and Servicing – Servicing Assets and Liabilities (formerly FASB Statement No. 156, “Accounting for Servicing of Financial Assets”).

Servicing, Securitization, and Asset Sale Activities**4 and 5 General Instructions**

For purposes of items 4 and 5 in this schedule, the following definition is applicable.

Recourse or other seller-provided credit enhancement means an arrangement in which the reporting institution retains, in form or in substance, any risk of credit loss directly or indirectly associated with a transferred (sold) asset that exceeds its pro rata claim on the asset. It also includes a representation or warranty extended by the reporting institution when it transfers an asset, or assumed by the institution when it services a transferred asset, that obligates the institution to absorb credit losses on the transferred asset. Such an arrangement typically exists when an institution transfers assets and agrees to protect purchasers or some other party, e.g., investors in securitized assets, from losses due to default by or nonperformance of the obligor on the transferred assets or some other party. The institution provides this protection by retaining:

- (1) an interest in the transferred assets, e.g., credit-enhancing interest-only strips, “spread” accounts, subordinated interests or securities, collateral invested amounts, and cash collateral accounts, that absorbs losses, or
- (2) an obligation to repurchase the transferred assets

in the event of a default of principal or interest on the transferred assets or any other deficiency in the performance of the underlying obligor or some other party. *Subordinated*

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4 and 5 *interests and subordinated securities* retained by an institution when it securitizes assets (cont.) expose the institution to more than its pro rata share of loss and thus are considered a form of credit enhancement to the securitization structure.

4 **Does the institution have any assets it has sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements?**

If your institution has any assets currently outstanding that it has sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements, place an “X” in the box marked “Yes” and complete item 4.a, below.

If your institution has no assets currently outstanding that it has sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements, place an “X” in the box marked “No,” skip item 4.a, and go to item 5.

4.a **Total outstanding principal balance of assets sold and securitized by the reporting institution with servicing retained or with recourse or other seller-provided credit enhancements.** Report the total principal balance outstanding as of the report date of loans, leases, and other assets which the reporting institution has sold and securitized while:

- (1) retaining the right to service these assets, or
- (2) when servicing has not been retained, retaining recourse or providing other seller-provided credit enhancements to the securitization structure.

Include the amount outstanding of any credit card fees and finance charges that the reporting institution has securitized and sold in connection with its securitization and sale of credit card receivable balances.

Include the principal balance outstanding of loans the reporting institution has (1) pooled into securities that have been guaranteed by the Government National Mortgage Association (Ginnie Mae) and (2) sold with servicing rights retained.

Also include the principal balance outstanding of securitizations of small business obligations transferred with recourse under Section 208 of the [Riegle Community Development and Regulatory Improvement Act of 1994](#).

Exclude the principal balance of loans underlying seller's interests owned by the reporting institution. Seller's interest means the reporting institution's ownership interest in loans that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement.

Do **not** report in this item the outstanding balance of 1-4 family residential mortgages sold to the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) that the government-sponsored agency in turn securitizes. Do **not** report in this item the outstanding balance of 1-4 family residential mortgages sold to a Federal Home Loan Bank (FHLB) through a Mortgage Partnership Finance Program that the FHLB in turn securitizes. Report 1-4 family residential mortgages sold to Fannie Mae, Freddie Mac, or FHLB with recourse or other seller-provided credit enhancements in Schedule SU, item 5.a. If servicing has been retained on closed-end 1-4 family residential mortgages sold to Fannie Mae, Freddie Mac, or FHLB report the outstanding principal balance of the mortgages in Schedule SU, item 6.a.