Federal Financial Institutions Examination Council

Instructions for the Preparation of

Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks

Reporting Form FFIEC 002

Effective March 2020

Contents

General Instructions for Preparation of Report of Assets and Liabilities of U.S. Branches and Agencies

Who Must Report GEN-1
Where and When to Submit the Report GEN-1
Submission Date GEN-1
Scope of the Report GEN-2
Signatures and Attestation GEN-2
Public Release of Individual Branch and Agency Reports GEN-3
Amended Reports GEN-3
Organization of Instruction Book GEN-3
Preparation of Information to be Reported GEN-3
Accounting Basis GEN-4
Completion of the Report Form GEN-4

Contents

Line Item Instructions for Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks

Schedule RAL—Assets and Liabilities RAL-1
Schedule A—Cash and Balances Due From Depository Institutions A-1
Schedule C—Loans C-1
Schedule E—Deposit Liabilities and Credit Balances E-1
Schedule K—Quarterly Averages K-1
Schedule L—Derivatives and Off-Balance Sheet Items L-1
Schedule M—Due from/Due to Related Institutions in the U.S. and in Foreign Countries M-1
Schedule N—Past Due, Nonaccrual, and Restructured Loans N-1
Schedule O—Other Data for Deposits Insurance Assessments O-1
Schedule P—Other Borrowed Money P-1
Schedule Q—Financial Assets and Liabilities Measured at Fair Value Q-1
Schedule S—Servicing, Securitization and S-1
Schedule T—Fiduciary and Related Services T-1
Appendix—List of the Address and Telephone Number for Each Federal Reserve Bank AP-1

Contents

Glossary

Accounting Errors, Corrections of GL-1
Accounting Principles, Changes in GL-1
Accretion of Discount on Securities GL-1
Accrual of Loss Contingencies GL-1
Agreement Corporation GL-1
Allowance for Loan Losses: GL-1
Amortization of Premiums on Securities GL-2
Bankers Acceptances GL-2
Banks, U.S. and Foreign GL-6
Banks in Foreign Countries GL-7
Bill-of-Lading Draft GL-7
Brokered Deposits GL-8
Broker's Security Draft GL-8
Call Option GL-8
Certificate of Deposit GL-8
Commercial Banks in the U.S. GL-8
Commercial Letter of Credit GL-8
Commercial Paper GL-8
Commodity or Bill-of-Lading Draft GL-8
Credit Balances GL-9
Custody Account GL-9
Demand Deposits GL-9
Depository Institutions in the U.S. GL-9
Deposits GL-9
Derivative Contracts GL-16
Discounts GL-22
Domicile GL-22

Contents

Due Bills GL-22
Edge and Agreement Corporation GL-23
Excess Balance Account GL-23
Extinguishments of Liabilities GL-23
Fails GL-23
Fair Value GL-24
Federal Funds Transactions GL-24
Federally-Sponsored Lending Agency GL-25
Foreign Banks GL-25
Foreign Currency Transactions GL-25
Foreign Governments and Official Institutions GL-25
Forward Contracts GL-25
Futures Contracts GL-25
Hypothecated Deposit GL-25
Internal-Use Computer Software GL-26
International Banking Facility (IBF) GL-27
Lease Accounting GL-27
Letter of Credit GL-29
Loan GL-29
Loan Fees GL-30
Loans Secured by Real Estate GL-32
Money Market Deposit Account (MMDA) GL-32
NOW Account GL-32
Nonaccrual Status GL-32
Offsetting GL-33
One-Day Transaction GL-34
Option GL-34
Other Depository Institutions in the U.S. GL-34
Overdraft GL-34
Participations GL-34
Participations in Acceptances GL-34
Pass-through Reserve Balances GL-34

Contents

Placements GL-35
Pools of Securities, Participation in GL-35
Preauthorized Transfer Account GL-36
Premiums and Discounts GL-36
Put Option GL-36
Real Estate, Loans Secured By GL-36
Reciprocal Balances GL-36
Related Institutions GL-36
Repurchase/Resale Agreements GL-37
Reserve Balances, Pass-through GL-39
Securities Activities GL-39
Securities Borrowing/Lending Transactions GL-40
Securities, Participations in Pools of GL-41
Servicing Assets and Liabilities GL-41
Settlement Date Accounting GL-42
Shell Branches GL-42
Short Position GL-42
Standby Contract GL-42
Standby Letter of Credit GL-42
Suspense Accounts GL-42
Syndications GL-42
Telephone Transfer Account GL-43
Term Federal Funds GL-43
Time Deposits GL-43
Trade Date and Settlement Date Accounting GL-43
Trading Account GL-43
Transaction Account GL-44
Transactions with Related Institutions GL-44
Transfers of Financial Assets GL-45
Traveler's Letter of Credit GL-50
U.S. Banks GL-50
U.S. Income Taxes GL-50

Contents

U.S. Territories and Possessions GL-50
Valuation Allowance GL-50
When-Issued Securities Transactions GL-50

INSTRUCTIONS FOR PREPARATION OF

Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks
FFIEC 002

General Instructions

Who Must Report

Pursuant to the supervisory responsibilities assigned to the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation by the International Banking Act (IBA) of 1978, every U.S. branch and agency of a foreign bank as defined in the Act is required to file each quarter the report entitled "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks" (FFIEC 002), including its supporting schedules (except for Schedule O, "Other Data for Deposit Insurance Assessments," and Part II in Schedule C, "Loans to Small Businesses and Small Farms," which only branches whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) are required to complete and submit as part of the FFIEC 002 report).

The "U.S. branches and agencies" required to report under the Act are foreign banks' branches and agencies that are organized under the laws of the 50 states of the United States and the District of Columbia, where "Foreign banks" are those companies organized under the laws of a foreign country, Puerto Rico, or a U.S. territory or possession that engage in the business of banking. Each U.S. branch or agency, whether state-chartered or federally-licensed, must submit the report for itself.

Where and When to Submit the Report

The Federal Reserve acts as the collecting and processing agent of this report for the federal supervisory authorities. Reporting institutions are required to submit the report quarterly as of the last calendar day each quarter. For institutions that do not wish to submit the report electronically, the original and two copies of the completed report shall be submitted each quarter to the Federal Reserve Bank in whose district the reporting branch or agency is located. Institutions that wish to submit the report electronically should contact their district Reserve Bank or go to http://www.frbservices.org/centralbank/index.html for procedures for electronic submission. This website also includes a link that reporters may use to contact the Federal Reserve Bank of New York for technical assistance.

Submission Date

The term "submission date" is defined as the date by which a completed original report must be received by the appropriate district Federal Reserve Bank. Reports must be received no more than 30 days after the report date (subject to the timely filing provisions set forth in the following paragraph). For example, the December 31 report must be received by January 30. Earlier submission would aid the Federal Reserve in reviewing and processing the reports and is encouraged. No extensions of time for submitting reports are granted.

The filing of a branch or agency's completed report will be considered timely, regardless of when the reports are received by the appropriate Federal Reserve Bank, if these reports are mailed first class and postmarked no later than the third calendar day preceding the submission deadline. In the absence of a postmark, a branch or agency whose completed report is received late may be called upon to provide proof of timely mailing. A "Certificate of Mailing" (U.S. Postal Service Form 3817) may be used to provide such proof. If an overnight delivery service is used, entry of the completed original report into the delivery system on the day before the submission deadline will constitute timely submission. In addition, the hand delivery of the completed original report on or before the submission deadline to the location to which the report would

otherwise be mailed is an acceptable alternative to mailing the report. Branches or agencies that are unable to obtain the required officer signature on their completed original report in sufficient time to file these reports so that they are received by the submission deadline should not delay filing the report in order to obtain this signature, nor should another name be used in place of the senior executive officer. However, a revised cover page with signature must be sent as soon as possible.

If the submission deadline falls on a weekend or holiday, the report must be received by 5:00 P.M. on the first business day after the Saturday, Sunday, or holiday. Any report received after 5:00 P.M. on the first business day after the Saturday, Sunday, or holiday deadline will be considered late unless it has been postmarked three calendar days prior to the original Saturday, Sunday, or holiday submission deadline (original deadline), or the institution has a record of sending the report by overnight service one day prior to the original deadline.

Scope of the Report

The report asks for data on the entire operation of the branch or agency including its International Banking Facility ("IBF") if it has one, and also asks for separate data on the IBF only.

In general, each U.S. branch or agency of a given foreign bank is required to file a separate report. No consolidation of statements for multiple branches and agencies of a given foreign bank is permitted, except that a foreign bank may submit to the appropriate Federal Reserve Bank a request to consolidate reports for two or more offices, provided that (1) the offices are located in the same city or metropolitan area and are in the same state and Federal Reserve district, and (2) the consolidated report does not combine agencies with branches or insured branches with uninsured branches.

For purposes of this report, assets administered by the reporting branch or agency's trust department are not to be consolidated into the reporting branch or agency's assets. However, information concerning the branch or agency's trust activities must be reported in Schedule T, "Fiduciary and Related Services," beginning December 31, 2001. Assets held in or administered by the branch or agency's trust department are excluded from all of the other schedules of this report except when trust funds are deposited by the trust department of the reporting institution. When such trust funds are deposited in the reporting institution, they are to be reported as deposit liabilities in Schedule E in the deposit category appropriate to the beneficiary. Interest paid on such deposits are to be reported as part of the reporting institution's unremitted profits reported on Schedule M.

However, there are two exceptions: (1) *uninvested trust funds (cash)* held in the branch or agency's trust department, which are *not* included in Schedule RAL, "Assets and Liabilities," of the reporting institution, *must* be reported in Schedule O, "Other Data for Deposit Insurance Assessments;" and (2) the *fees* earned by the trust department for its fiduciary activities and the *operating expenses* of the trust department should be included as part of the reporting institution's unremitted profits reported on Schedule M.

Custody Accounts: All custody and safekeeping activities (i.e., the holding of securities, jewelry, coin collections, and other valuables in custody or in safekeeping for customers) are *not* to be reflected in Schedule RAL, "Assets and Liabilities," unless cash funds held by the branch or agency in safekeeping for customers are commingled with the general assets of the reporting institution. In such cases, the commingled funds would be reported in Schedule E as deposit liabilities of the branch or agency.

Similarly, securities held in custody or in safekeeping for customers shall only be included in Schedule T of this report. However, funds held by the reporting institution in safekeeping for customers, except those held in the reporting institution's own trust department, are included (and must be reported in Schedule E, Deposit Liabilities and Credit Balances).

Signatures and Attestation

The original of the report shall be manually signed on the cover sheet of the submitted report, in the manner indicated on the cover sheet, by a duly authorized officer of the reporting institution. The title of the signing officer shall also be shown. The correctness of the submitted report shall be attested by the signature of the senior executive official of the reporting institution, who may or may not be the same officer who signed the

report. Signatures need not be notarized. All copies shall bear the same signatures as on the original, but these signatures may be facsimiles or photocopies.

Public Release of Individual Branch and Agency Reports

This report and all its schedules submitted by each reporting branch or agency will be made available to the public upon request, except for Schedule M, "Due from/Due to Related Institutions in the U.S. and in Foreign Countries," which is considered to be confidential by the federal supervisory authorities. The reports are made available in their entirety to the relevant state supervisory authorities.

A reporting institution may request confidential treatment for some or all of the portions of the FFIEC 002 that will be made publicly available if the institution is of the opinion that disclosure of specific commercial or financial information in the report would likely cause substantial harm to its competitive position. In certain limited circumstances, the reporting institution's primary federal supervisor may approve confidential treatment of some or all of the items for which such treatment has been requested if the institution has clearly provided a compelling justification for the request. A request for confidential treatment must be submitted in writing prior to the submission of the report. The written request must identify the specific items for which confidential treatment is requested, provide justification for the confidential treatment requested for the identified items, and demonstrate the specific nature of the harm that would result from public release of the information. Merely stating that competitive harm would result is not sufficient. Information for which confidential treatment is requested may subsequently be released by the reporting institution's primary federal supervisor in accordance with the terms of 12 CFR 4.16 (OCC), 12 CFR 261.16 (Board), 12 CFR 309.6 (FDIC), or as otherwise provided by law.

Amended Reports

The primary federal supervisory authority of a branch or agency may require the filing of amended reports if reports as previously submitted contain significant errors in how the reporting branch or agency classified or categorized items in the reports, i.e., on what line of the report an item has been reported.

When dealing with the recognition and measurement of events and transactions in the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, amended reports may be required if a branch's or agency's primary federal supervisory authority or the Federal Reserve Bank to which the branch or agency submits its reports determines that the reports as previously submitted contain errors that are material for the reporting branch or agency.

Organization of Instruction Book

This instruction book is organized into three sections:

(1) The General Instructions, which describe the overall reporting requirements.

(2) The line item instructions for each schedule.

(3) The Glossary, which presents—in alphabetical order—definitions and discussions of accounting issues and of other topics that require more extensive treatment than is practical to include in the line item instructions or that are relevant to several line items or to the overall preparation of the report. The Glossary is not, and is not intended to be, a comprehensive discussion of the principles of bank accounting.

No one of these sections of the Instruction Book gives the complete instructions for completing all the items on the report. Thus, in determining the required treatment of particular transactions or portfolio items, or in determining the definitions and scope of the various items, the General Instructions, the line item instructions, and the Glossary (all of which are extensively cross-referenced) must be used jointly.

Preparation of Information to be Reported

U.S. branches and agencies of foreign banks are required to prepare and file the report in accordance with these instructions. Questions on, and requests for interpretations of, matters appearing in any part of these instructions should be addressed to the Federal Reserve Bank to which the reports are submitted.

The financial records of the reporting branch or agency shall be maintained in such a manner and scope

as to ensure that this report can be prepared and filed in accordance with these instructions and reflects a fair presentation of the financial condition and results of operations. Branches and agencies should retain work papers and other records used in the preparation of the report until the next examination by their federal regulator.

Transactions with related depository institutions are treated differently in this report from transactions with nonrelated institutions. For descriptions of what constitutes, for purposes of this report, a related institution and of the different reporting treatments required for transactions with related and nonrelated institutions, see the Glossary entries, "related institutions" and "transactions with related institutions."

Accounting Basis

Applicability of U.S. Generally Accepted Accounting Principles to Regulatory Reporting Requirements: For recognition and measurement purposes, the regulatory reporting requirements applicable to the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks shall conform to U.S. generally accepted accounting principles (GAAP). When reporting events and transactions not covered in principle by the instructions for the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks or authoritative U.S. GAAP standards, branches and agencies are encouraged to discuss the event or transaction with their primary federal supervisory authority or with the Federal Reserve Bank to which their reports are submitted.

Regardless of whether a branch or agency discusses a reporting issue with its supervisory authority or the appropriate Federal Reserve Bank, when the supervisory authority's or the Federal Reserve Bank's interpretation of how U.S. GAAP should be applied to a specified event or transaction (or series of related events or transactions) differs from the branch's or agency's interpretation, the supervisory authority or Federal Reserve Bank may require the branch or agency to reflect the event(s) or transaction(s) in its Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks in accordance with the supervisory authority's or Federal Reserve Bank's interpretation and to amend previously submitted reports.

The instructions for the Report of Assets and Liabilities of U.S. branches and agencies of foreign banks contain certain specific reporting guidance that falls within the range of acceptable practice under U.S. GAAP. These instructions have been adopted to achieve safety and soundness and other public policy objectives and to ensure comparability. Should the need arise in the future, other specific reporting guidance that falls within the range of U.S. GAAP may be issued. For example, the Glossary entry for "Nonaccrual Status" includes specific reporting guidance that is within the range of U.S. GAAP.

There may be areas in which a branch or agency wishes more technical detail on the application of accounting standards and procedures to the requirements of these instructions. Such information may often be found in the appropriate entries in the Glossary section of these instructions or, in more detail, in the FASB Accounting Standards Codification. For purposes of these instructions, the FASB Accounting Standards Codification is referred to as "ASC." Selected sections of the ASC are referenced in the instructions where appropriate. The accounting entries in the Glossary are intended to serve as an aid in specific reporting situations rather than as a comprehensive statement on branch and agency accounting.

Completion of the Report Form

The reports are to be submitted on the report forms provided each quarter. Prior to or immediately following the end of each quarter, each reporting institution will be furnished with copies of the reporting form. Since, from time to time, there may be minor changes in the report form, forms from previous quarters should not be used.

Accounts and transactions shall be reported in the appropriate items on the reporting form as specified in the instructions. No caption on the report form shall be changed in any way.

No items are to be left blank. An entry must be made for each item, i.e., an amount, a zero, the word "none," or "N/A." The only exception to this rule applies to reporting institutions that do *not* have an IBF or are *not* insured by the FDIC. If the reporting institution does *not* have an IBF, then column B in Schedules RAL, A, C (Part I), and P; column D in Schedule E;

and Part II in Schedule M are to be left blank. For those institutions that are *not* insured by the FDIC, Schedule O and Part II in Sched ule C are to be left blank.

Consolidation of Subsidiaries: To the extent required by GAAP, a U.S. branch or agency should consolidate all entities in which it maintains a controlling financial ownership interest, e.g., a direct or indirect ownership interest of more than 50 percent of an entity's outstanding voting shares. Investments in unconsolidated subsidiaries should be reported in Schedule RAL, item 1(h), "Other assets," using the equity method of accounting.

Negative Entries: Negative entries are *not* permitted for any item in any schedule of the report except where explicitly called for in Schedule M.

Foreign Currency Translation: The amounts entered in the report shall be stated in U.S. dollars. Transactions or balances denominated in currencies other than the U.S. dollar shall be converted to U.S. dollar equivalents prior to their incorporation in the report. Translation admustments should be included in Schedule M as part of unremitted profits and losses.

Rounding: For purposes of this report, all figures are to be rounded to the nearest thousand U.S. dollars. Rounding may result in details not adding to their stated totals. The only permissible difference between totals and the sums of their components are those attributable to the mechanics of rounding. In Schedule RAL, Assets and Liabilities, "Total assets," item 3, and "Total liabilities," item 6, *which must be equal,* must be derived from unrounded numbers and then rounded in order to ensure that these two items are equal as reported.

Verification: All addition and subtraction should be double-checked before reports are submitted. Totals and subtotals in supporting schedules should be cross-checked to corresponding items elsewhere in the report. Before a report is submitted, all amounts should be compared with the corresponding amounts in the previous report. If there are any unusual changes from the previous report, a brief explanation of the changes should be attached to the report.

All reports must be made out clearly and distinctly by typewriter or in ink. Reports completed in pencil are not acceptable. Computer printouts are acceptable provided that they are identical in size, format, and detail, including *all* item and column captions, to the printed form distributed each quarter by the Federal Reserve and provided that they meet the legibility and other specifications set by the Federal Reserve. Copies must be legible and preferably should be photocopies.

INSTRUCTIONS FOR THE PREPARATION OF

Assets and Liabilities
Schedule RAL

General Instructions

Detailed definitions of certain asset and liability items will be found in the instructions pertaining to the schedules referred to under those items. Transactions with related depository institutions (as defined in the General Instructions) are to be reflected only in the items "Net due from/net due to related depository institutions" (item 2 or 5) and are excluded from the other individual items of this schedule.

The amounts reported in column A are for the reporting branch or agency *including* its own IBF, and those reported in column B are for the reporting branch or agency's IBF only. The shading out of certain lines in column B reflects the fact that IBFs are restricted in the types of assets and liabilities they can carry. Unless otherwise specified, the item instructions pertain to both the reporting branch or agency, including its IBF, and the IBF only. At times the instructions may discuss assets that are permissible for the branch or agency but not for the IBF. Report in the IBF column only those permissible IBF assets. If the reporting branch or agency has *no* IBF, *no* amounts are to be reported in column B.

Item Instructions

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions.

Assets

Item 1 Claims on nonrelated parties.

Item 1(a) Cash and balances due from depository institutions.

Report the amount from Schedule A, item 6, "Total," as appropriate. For a discussion of interbank placements, refer to the Glossary entry, "placements."

Items 1(b) and 1(c) Securities.

Report in the appropriate subitem all U.S. Government securities and other securities that are not held for trading. Held-to-maturity securities are to be reported at amortized cost in items 1(b) and 1(c). (Amortized cost is the purchase price of a debt security adjusted for amortization of premium or accretion of discount if the debt security was purchased at other than par or face value.) Available-for-sale debt securities are to be reported at fair value in items 1(b) and 1(c). Equity securities with readily determinable fair values are to be reported at fair value in item 1(c).

Exclude from items 1(b) and 1(c) securities held in trading accounts (report such securities in Schedule RAL, item 1(f)) and equity securities that do not have readily determinable fair values (report such securities in item 1(h), "Other assets including other claims on nonrelated parties").

The preferred method for reporting security holdings is on the basis of trade date accounting. However, if the reported amounts under settlement date accounting would not be materially different from those under trade date accounting, settlement date accounting is acceptable. Whichever method is selected should be used consistently, unless the branch or agency has selected settlement date accounting and subsequently decides to change to the preferred trade date accounting method. For a discussion of this topic, refer to the Glossary entry, "trade date and settlement date accounting."

For purposes of this report, the following events and transactions involving securities should be reported in the manner indicated below:

(1) Purchases of securities under agreements to resell and sales of securities under agreements to repurchase: These transactions are not to be

treated as purchases or sales of securities but as lending or borrowing (i.e., financing) transactions collateralized by these securities if the agreements meet the criteria for a borrowing set forth in 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 by FASB Statement No. 156, "Accounting for Servicing of Financial Assets," FASB Statement No. 166, "Accounting for Transfers of Financial Assets," and certain other standards). Institutions must follow ASC Topic 860 for purposes of this report. Purchases of securities under agreements to resell that meet the criteria for a borrowing are to be reported in Asset item 1(d). Sales of securities under agreements to repurchase that meet the criteria for a borrowing are to be reported in Liability item 4(b). For further information, see the Glossary entries for "transfers of financial assets" and "repurchase/resale agreements."

(2) Pooled securities in which the reporting institution purchases or sells participations: Similarly, these transactions are not to be treated as purchases or sales of the securities in the pool but as lending or borrowing (i.e., financing) transactions collateralized by the pooled securities if the participation agreements meet the criteria for a borrowing set forth in ASC Topic 860. The proceeds of the sale of participations that meet the criteria for a borrowing are to be reported as securities sold under agreements to repurchase in Liability item 4(b). Reporting institutions that buy participations in pooled securities that meet the criteria for a borrowing are to report the participations as securities purchased under agreements to resell in Asset item 1(d).

(3) Pledged securities: Pledged securities that have not been transferred to the secured party should continue to be included in the pledging institution's holdings of securities that are reported in Asset items 1(b) or 1(c), as appropriate. If the reporting institution has transferred pledged securities to the secured party, the reporting institution should account for the pledged securities in accordance with ASC Topic 860.

(4) Securities borrowed and lent: Securities borrowed and lent shall be reported as an asset of either the borrowing or lending institution in accordance with ASC Topic 860. For further information, see the Glossary entries for "transfers of financial assets" and "securities borrowing/lending transactions."

(5) Short sales of securities: These sales are not to be netted against securities held. Rather, the reporting branch or agency's liability to others to deliver securities sold short (other than the liability represented by due bills) is to be reported in Liability item 4(e), "Trading liabilities." The rights to receive payment from such a sale of securities shall be reported in Asset item 1(h), "Other assets (including other claims on nonrelated parties)." For institutions that issue due bills representing obligations to deliver securities, such due bills are to be reported as borrowings in Liability item 4(c), "Other borrowed money," and in Schedule P, as appropriate.

(6) Futures, forward, and option contracts: such open contracts to buy or sell securities in the future are to be reported as derivatives in Schedule L, item 9 or Schedule M, Part V, item 9.

Item 1(b)(1) U.S. Treasury securities.

Report the appropriate value of all U.S. Treasury securities not held for trading. Include all bills, certificates of indebtedness, notes, and bonds, including those issued under the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program and those that are "inflation-indexed."

Exclude all obligations of U.S. Government agencies and corporations. Also exclude detached Treasury security coupons and ex-coupon Treasury securities held as the result of either their purchase or the branch or agency's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs (report in item 1(c)(4), "All other" securities).

Item 1(b)(2) U.S. Government agency obligations.

Report the appropriate value of all U.S. Government agency obligations (excluding mortgage-backed securities) not held in trading accounts.

For purposes of this item, a U.S. government agency is defined as an instrumentality of the U.S. government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government.

Include, among others, debt securities (but not mortgage-backed securities) of the following U.S. government agencies:

(1) Export-Import Bank (Ex-Im Bank)

(2) Federal Housing Administration (FHA)

(3) Government National Mortgage Association (GNMA or Ginnie Mae)

(4) Maritime Administration

(5) Small Business Administration (SBA)

Include such obligations as:

(1) Small Business Administration (SBA) "Guaranteed Loan Pool Certificates," which represent an undivided interest in a pool of SBA-guaranteed portion of loans for which the SBA has further guaranteed the timely payment of scheduled principal and interest payments.

(2) Participation certificates issued by the Export-Import Bank and the General Services Administration.

For purposes of this item government sponsored agencies are defined as agencies originally established or chartered by the U.S. government to serve public purposes specified by the U.S. Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the U.S. government.

Include, among others, debt securities (but not mortgage-backed securities) of the following government-sponsored agencies:

(1) Federal Agricultural Mortgage Corporation (Farmer Mac)

(2) Federal Farm Credit Banks

(3) Federal Home Loan Banks (FHLBs)

(4) Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)

(5) Federal Land Banks (FLBs)

(6) Federal National Mortgage Association (FNMA or Fannie Mae)

(7) Financing Corporation (FICO)

(8) Resolution Funding Corporation (REFCORP)

(9) Student Loan Marketing Association (SLMA or Sallie Mae)

(10) Tennessee Valley Authority (TVA)

(11) U.S. Postal Service

Exclude from U.S. government agency obligations:

(1) Loans to the Export-Import Bank and to federally-sponsored lending agencies (report in Schedule C, part 1, item 8, "All other loans"). Refer to the Glossary entry for "federally-sponsored lending agency" for the definition of this term.

(2) All holdings of U.S. government-issued or -guaranteed mortgage pass-through securities (report in item 1(c)(2), "Mortgage-backed securities," below).

(3) Collateralized mortgage obligations (CMOs), real estate mortgage investments conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs) and similar instruments) issued by U.S. government agencies and corporations (report in item 1(c)(2), "Mortgage-backed securities," below).

(4) Participants in pools of Federal Housing Administration (FHA) Title I loans, which generally consist of junior lien home improvement loans (report in Schedule C, part 1, item 1, "Loans secured by real estate").

Item 1(c) Other bonds, notes, debentures, and corporate stock (including state and local securities):

Item 1(c)(1) Securities of foreign governments and official institutions.

Report the appropriate value of all securities of foreign governments and official institutions not held for trading, including securities of international agencies such as the International Bank for Reconstruction and Development (World Bank), Inter-American Development Bank, and Asian Development Bank. For further

information, refer to the Glossary entry for "foreign governments and official institutions."

Item 1(c)(2) Mortgage-backed securities.

Mortgage-backed securities include mortgage pass-through securities, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments).

In general, a mortgage pass-through security represents an undivided interest in a pool that provides the holder with a pro rata share of all principal and interest payments on the residential mortgages in the pool, and includes certificates of participation in pools of residential mortgages.

Include certificates of participation in pools of residential mortgages even though the reporting institution was the original holder of the mortgages underlying the pool and holds the instruments covering that pool, as may be the case with GNMA certificates issued by the reporting institution and swaps with FNMA and FHLMC. Also include U.S. Government-issued participation certificates (PCs) that represent a pro rata share of all principal and interest payments on a pool of resecuritized participation certificates that, in turn, are backed by residential mortgages, e.g., FHLMC Giant PCs.

Exclude from mortgage-backed securities:

(1) Securities backed by loans extended under home equity lines, i.e., revolving open-end lines of credit secured by 1–4 family residential properties (report as asset-backed securities backed by "Home equity lines" in Schedule RAL, item 1(c)(3).

(2) Bonds issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) that are collateralized by mortgages, i.e., mortgage-backed bonds, (report in Schedule RAL, item 1(b)(2), "U.S. Government agency and corporation obligations," and mortgage-backed bonds issued by non-U.S. Government issuers (report in Schedule RAL, item 1(c)(4), "All other," below).

(3) Participation certificates issued by the Export–Import Bank and the General Services Administration (report in Schedule RAL, item 1(b)(2)).

(4) Participation certificates issued by a Federal Intermediate Credit Bank (report in Schedule RAL, item 1(h), "Other assets (including other claims on unrelated parties)").

Item 1(c)(2)a. Mortgage-backed securities: Issued or guaranteed by U.S. Government agencies

Report the appropriate value of all mortgage-backed securities issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) or guaranteed by the Government National Mortgage Association (GNMA). Also include REMICs issued by the U.S. Department of Veterans Affairs (VA).

Item 1(c)(2)b. Mortgage-backed securities: Other.

Report the appropriate value of all mortgage-backed securities issued by non-U.S.-government issuers (e.g., other depository institutions, insurance companies, and state and local housing authorities in the U.S.).

Item 1(c)(3) Other asset-backed securities.

Report the appropriate value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading. Include asset-backed securities collateralized by credit card receivables (i.e., extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards), home equity lines of credit (i.e., revolving, open-end lines of credit secured by 1-to-4 family residential properties), automobile loans (i.e., loans to individuals for the purpose of purchasing private passenger vehicles, including minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use), other consumer loans (i.e., loans to individuals for household, family, and other personal expenditures), commercial and industrial loans (i.e., loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment), and all other asset-backed securities collateralized by non-mortgage loans.

Item 1(c)(4) All other.

Report the appropriate value of all bonds, notes, debentures, commercial paper, and equity securities with readily determinable fair values not held for trading that cannot properly be reported in items 1(b) and 1(c)(1) through 1(c)(3) above, including:

(1) securities issued by states and political subdivisions in the U.S. (including industrial development bonds that the branch or agency reports as securities for other financial reporting purposes, as described more fully in Schedule C, part I, item 8),

(2) obligations of business corporations,

(3) detached U.S. Government security coupons and ex-coupon U.S. Government securities held as a result of either their purchase or the branch or agency's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs,

(4) corporate stock with readily determinable fair values,

(5) common stock of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation and preferred stock and unrestricted voting common stock of the Student Loan Marketing Association, and

(6) equipment trust certificates.

The fair value of an equity security is readily determinable if sales or bid-and-asked quotations are currently available on a securities exchange registered with the Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by the National Quotation Bureau. The fair value of an equity security traded only on a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above.

Exclude from this item:

(1) Holdings of bankers acceptances and certificates of deposit, which are not classified as securities for purposes of this report. When held for trading purposes, such assets are to be reported in RAL item 1(f). Holdings of bankers acceptances not held for trading purposes are to be reported as loans in RAL item 1(e) and in Schedule C, part 1, item 11. Holdings of certificates of deposit not held for trading purposes are to be reported as balances due from depository institutions in RAL item 1(a) and in Schedule A, item 6.

(2) All loans (including overdrafts) and lease financing receivables of states and political subdivisions in the U.S. (report in RAL item 1(e) and in Schedule C, part 1, item 11.

NOTE: For the IBF column (column B), report only the dollar amount of the IBF's holdings of notes, bonds, debentures, and equity securities with readily determinable fair values issued by non-U.S. addressees, other than related depository institutions. This amount is also included in the amount reported in column A. Include obligations that are purchased directly from the issuers of the equity or debt securities—that is, from foreign governments and official institutions and from private non-U.S. addressees. In addition, *any* securities reported in column A that were acquired by the IBF as the result of defaulted loans should be included in this item.

Item 1(d)(1) Federal funds sold.

Federal funds sold are immediately available funds lent under agreements or contracts that mature in one business day or roll over under a continuing contract, excluding such funds lent in the form of securities purchased under agreements to resell (which should be reported in Schedule RAL, item 1(d)(2)) and overnight lending for commercial and industrial purposes (which generally should be reported in Schedule RAL,

item 1(e). Transactions that are to be reported as federal funds sold may be secured or unsecured or may involve an agreement to resell loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing institution can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. A continuing contract, regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate.

Report federal funds sold on a gross basis; i.e., do not net them against federal funds purchased, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts").

Also exclude from fed funds sold:

(1) Sales of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions") (report in Schedule RAL item 1.e.).

(2) Security resale agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll (report in Schedule RAL, item 1(d)(2), "Securities purchased under agreements to resell").

(3) Deposit balances from a Federal Home Loan Bank (report as balances due from depository institutions in RAL, item 1(a).

(4) Lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not security resale agreements (report in RAL, item 1.e.).

For further information, see the Glossary entry for "federal funds transactions."

Item 1.d.(1)a. Federal Funds sold with commercial banks in the U.S.

In column A, report federal funds sold (as defined above) to all non-related commercial banks domiciled in the U.S. For purposes of this schedule, commercial banks include:

(1) national banks;

(2) state-chartered commercial banks;

(3) trust companies that perform a commercial banking business;

(4) industrial banks;

(5) private or unincorporated banks;

(6) International Banking Facilities (IBFs) of U.S. banking institutions;

(7) Edge and Agreement corporations; and

(8) U.S. branches and agencies of foreign banks (including their IBFs).

For purposes of this schedule, the term "U.S. Branches and agencies of foreign banks" covers:

(1) the U.S. branches and agencies of other 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 non-related foreign banks.

NOTE: IBFs are to report in column B, federal funds sold to:

(1) IBFs of all nonrelated commercial banks in the U.S., including IBFs of U.S. branches and agencies of foreign banks; and

(2) non-related U.S. and foreign commercial banks domiciled in Puerto Rico and in the U.S. territories and possessions, including branches and agencies of other foreign banks located in Puerto Rico and in the U.S. territories and possessions.

Item 1.d.(1)b. Federal Funds sold with nonbank brokers and dealers in securities.

In column A, report federal funds sold (as defined above) to nonbank brokers and dealers in securities.

NOTE: In the IBF column, report federal funds sold to:

(1) persons or other nonbank entities domiciled in the U.S. and;

(2) persons domiciled in foreign countries.

Item 1.d.(1)c. Federal Funds sold with others.

In column A, report federal funds sold (as defined above) to nonrelated institutions not covered in item 1.d.(1)a or 1.d.(1)b, such as other depository institutions, state and local governments, agencies of the U.S. Government, banks in foreign countries (including branches and subsidiaries of U.S. banks), and any other nonrelated institution or organization located in the U.S. or abroad.

NOTE: In the IBF column, report federal funds sold to:

(1) IBFs of all nonrelated depository institutions in the U.S., including IBFs of U.S. branches and agencies of foreign banks;

(2) nonrelated U.S. and foreign depository institutions domiciled in Puerto Rico and in the U.S. territories and possessions, including branches and agencies of other foreign banks located in Puerto Rico and the territories and possessions; and

(3) IBFs of all nonrelated depository institutions other than commercial banks.

Item 1(d)(2) Securities purchased under agreements to resell.

Securities purchased under agreements to resell include:

(1) Securities resale agreements, regardless of maturity, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll.

(2) Purchases of participations in pools of securities, regardless of maturity.

Report securities purchased under agreements to resell on a gross basis, i.e., do not net them against securities sold under agreements to repurchase, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements").

Exclude from items 1(d)(2)a and 1(d)(2)b the following:

(1) Resale agreements involving assets other than securities (report in Schedule RAL, item 1(d)(1), "Federal funds sold," or item 1(e), "Loans and leases held for investment and held for sale" as appropriate, depending on the maturity and office location of the transaction).

(2) Due bills representing purchases of securities or other assets by the branch or agencies that have not been delivered and similar instruments, whether collateralized or uncollateralized (report in Schedule RAL, item 1(e)). See the Glossary entry for "due bills."

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

For further information, see the Glossary entry for repurchase/resale agreements.

Item 1.d.(2)a. Securities purchased under agreements to resell with commercial banks in the U.S.

In column A, report securities purchased under agreements to resell (as defined above) with all non-related commercial banks domiciled in the U.S. For purposes of this schedule, commercial banks include:

(1) national banks;

(2) state-chartered commercial banks;

(3) trust companies that perform a commercial banking business;

(4) industrial banks;

(5) private or unincorporated banks;

(6) International Banking Facilities (IBFs) of U.S. banking institutions;

(7) Edge and Agreement corporations; and

(8) U.S. branches and agencies of foreign banks (including their IBFs).

For purposes of this schedule, the term "U.S. Branches and agencies of foreign banks" covers:

(1) the U.S. branches and agencies of other 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 nonrelated foreign banks.

NOTE: IBFs are to report in column B, securities purchased under agreements to resell with:

(1) IBFs of all nonrelated commercial banks in the U.S., including IBFs of U.S. branches and agencies of foreign banks; and

(2) non-related U.S. and foreign commercial banks domiciled in Puerto Rico and in the U.S. territories and possessions, including branches and agencies of other foreign banks located in Puerto Rico and in the U.S. territories and possessions.

Item 1.d.(2)b. Securities purchased under agreements to resell with nonbank brokers and dealers in securities.

In column A, report securities purchased under agreements to resell (as defined above) with nonbank brokers and dealers in securities.

NOTE: In the IBF column, report securities purchased under agreements to resell with:

(1) persons or other nonbank entities domiciled in the U.S.; and

(2) persons domiciled in foreign countries.

Item 1.d.(2)c. Securities purchased under agreements to resell with others.

In column A, report securities purchased under agreements to resell (as defined above) with nonrelated institutions not covered in item 1.d.(2)a, or 1.d.(2)b, such as other depository institutions, state and local governments, agencies of the U.S. Government, banks in foreign countries (including branches and subsidiaries of U.S. banks), and any other nonrelated institution or organization located in the U.S. or abroad.

NOTE: In the IBF column, report securities purchased under agreements to resell with:

(1) IBFs of all nonrelated depository institutions in the U.S., including IBFs of U.S. branches and agencies of foreign banks;

(2) nonrelated U.S. and foreign depository institutions domiciled in Puerto Rico and in the U.S. territories and possessions, including branches and agencies of other foreign banks located in Puerto Rico and the U.S. territories and possessions; and

(3) IBFs of all nonrelated depository institutions other than commercial banks.

Item 1(e) Loans and leases held for investment and held for sale.

Report in the appropriate columns the amounts from Schedule C, part I, item 11, columns A and B. For a detailed description of loans, see the discussion in the introduction to Schedule C.

Item 1(f) Trading assets.

Branches and agencies that (a) regularly underwrite or deal in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale; (b) acquire or take positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements; or (c) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report in items 1(f)(1) through 1(f)(5) the fair value of such assets or positions on the report date. Assets and other financial instruments held for trading shall be consistently valued at fair value. See the Glossary entry for "trading account" for further information.

Trading assets also include the amount of revaluation gains (i.e., assets) from the "marking to market" of derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the "marking to market" of the reporting branch or agency's derivative contracts with the same counterparty that meet the criteria for a valid right of setoff

contained in ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts") (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis using this item and Schedule RAL, item 4(e), "Trading liabilities," as appropriate. For further information, see the Glossary entry for "offsetting."

Do *not* include in this item the carrying value of any securities that are available for sale or any loans or leases that are held for sale. Available-for-sale securities should be reported in Schedule RAL, item 1(b) or 1(c), and in Schedule RAL, Memorandum items 3 and 4. Loans and leases that are held for sale should be reported in Schedule RAL, item 1(e), and in Schedule C.

Securities that the institution has elected to report at fair value under the fair value option are reported as trading securities pursuant to ASC Subtopic 825-10, Financial Instruments—Overall (formerly FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities"), even though management did not acquire the securities principally for the purpose of trading.

Item 1(f)(1) U.S. Treasury and Agency securities.

Report the fair value of all U.S. Treasury securities and Government agency and corporation obligations held for trading by the reporting branch or agency. Exclude mortgage-backed securities.

Item 1(f)(2) Mortgage-backed securities.

Item 1(f)(2)(a) Issued or guaranteed by U.S. Government agencies.

Report the fair value of all mortgage-backed securities (as defined in item 1.c.(2) above) issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) or guaranteed by the Government National Mortgage Association (GNMA) held for trading by the reporting branch or agency. Also include REMICs issued by the U.S. Department of Veterans Affairs (VA) held for trading by the reporting branch or agency.

Item 1(f)(2)(b) Other.

Report the fair value of all mortgage-backed securities (as defined in item 1.c.(2) above) issued by non-U.S. government issuers (e.g., other depository institutions, insurance companies, and state and local housing authorities in the U.S.) held for trading by the reporting branch or agency.

Item 1(f)(3) Other asset-backed securities.

Report the fair value of all other asset-backed securities (as defined in item 1.c.(3) above), including asset-backed commercial paper, held for trading by the reporting branch or agency. Include asset-backed securities collateralized by credit card receivables (i.e., extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards), home equity lines of credit (i.e., revolving, open-end lines of credit secured by 1-to-4 family residential properties), automobile loans (i.e., loans to individuals for the purpose of purchasing private passenger vehicles, including minivans, vans, sport utility vehicles, pickup trucks, and similar light trucks for personal use), other consumer loans (i.e., loans to individuals for household, family, and other personal expenditures), commercial and industrial loans (i.e., loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment), and all other asset-backed securities collateralized by non-mortgage loans.

Items 1(f)(4) Other securities.

Report the fair value of all other securities held for trading by the reporting branch or agency. Include securities issued by states and political subdivisions in the U.S., securities of foreign governments and official institutions, and all other bonds, notes and debentures not reported in items 1.f.(1) through 1.f.(3) above, held for trading by the reporting branch or agency.

Item 1(f)(5) Other trading assets.

Report the fair value of all other assets held for trading by the reporting branch or agency. Other trading assets include, but are not limited to:

(1) certificates of deposit;

(2) commercial paper;

(3) bankers acceptances;

(4) loans; and

(5) derivatives with a positive fair value.

Item 1(g) Not applicable.

Item 1(h) Other assets (including other claims on nonrelated parties).

Report the total of all other claims on related nondepository and nonrelated parties, and other assets, which cannot properly be reported in Asset items 1(a) through 1(g) of this schedule.

Institutions that have adopted ASU 2016-13 should exclude accrued interest receivable on interest-bearing assets that is reported elsewhere on Schedule RAL.

Include:

(1) Income earned or accrued but not collected on loans, securities, and other interest-bearing assets.

(2) Prepaid expenses (i.e., those applicable as a charge against operations in future periods).

(3) Accrued interest on securities purchased.

(4) Cash items not conforming to the definition of "Cash items in process of collection" found in the instructions to Schedule A, item 1.

(5) Credit or debit card sales slips in process of collection until the reporting branch or agency has been notified that it has been given credit (thereafter report in Schedule A, item 3 or 4, as appropriate).

(6) Derivative instruments with nonrelated parties that have a positive fair value that are held for purposes other than trading.

(7) Purchased computer software, net of accumulated amortization, and unamortized costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of 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").

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

(9) Original art objects, including paintings, antique objects, and similar valuable decorative articles (report at cost, unless there has been a decline in value, judged to be other than temporary, in which case the object should be written down to its fair value).

(10) Cash surrender value of life insurance policies for which the branch or agency is the beneficiary.

(11) The book value, less accumulated depreciation or amortization, of all premises, equipment, furniture and fixtures. Any method of depreciation conforming to acceptable accounting principles may be used. Do *not* deduct mortgages or other liens on such property (report in Liability item 4(f)).

Include:

(a) Premises that are actually owned by the reporting institution and that are entirely or partly occupied (or are to be occupied, if under construction) by the reporting institution.

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

(c) Remodeling costs to existing premises, real estate acquired and intended to be used for future expansion, and parking lots, whether adjoining or not adjoining the reporting institution's premises, that are owned by the reporting institution and that are used by its customers or employees.

(d) All furniture, fixtures, and movable equipment.

(e) The amounts assigned to leases acquired in purchase and assumption transactions.

(f) The amount of stocks and bonds that indirectly represent premises, equipment, furniture or fixtures. For institutions that have adopted ASU 2016-01 (see the General Instructions for Schedule RAL, Memorandum items 1 through 4), report such stocks and investments at (i) fair value or (ii) if chosen by the reporting institution for an equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in

orderly transactions for the identical or similar investment of the same issuer.

(g) The amount of capital lease property (with the reporting institution as lessee)—premises, furniture, fixtures, and equipment. See the discussion of "accounting with branch or agency as lessee" contained in the "lease accounting" section of the Glossary.

(12) Automobiles, boats, equipment, appliances, real estate and similar property repossessed or otherwise acquired for debts previously contracted, even if the branch or agency has not yet received title to the property.

(13) All real estate owned other than premises and foreclosed real estate, net of accumulated depreciation and other reserves and allowances, if any. Foreclosed real estate includes real estate acquired in any manner for debts previously contracted and real estate collateral underlying a loan when the branch or agency has obtained physical possession of the collateral, regardless of whether formal foreclosure proceedings have been instituted against the borrower.

NOTE: Foreclosed real estate received in full or partial satisfaction of a loan should be recorded at the fair value less cost to sell of the property at the time of foreclosure. This amount becomes the *"cost"* of the foreclosed real estate. When foreclosed real estate is received in full satisfaction of a loan, the amount, if any, by which the recorded amount of the loan exceeds the fair value less cost to sell of the property is a loss which must be recognized at the time of foreclosure. The amount of any senior debt (principal and interest) (to a nonrelated party) to which foreclosed real estate is subject at the time of foreclosure must be reported as a liability in Schedule RAL, item 4(f), "Other liabilities (to nonrelated parties)."

(14) Customers' liability for deferred payment letters of credit.

(15) The right to receive payment from the short sales of securities. (See also the instructions to Schedule RAL, item 4(f).)

(16) Equity investments without readily determinable fair values that are not reportable in other items on Schedule RAL. An equity security does not have a readily determinable fair value if sales prices or bid-and-asked quotations are not currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or are not publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group, Inc. The fair value of an equity security traded only in a foreign market is not readily determinable if that foreign market is not of a breadth and scope comparable to one of the U.S. markets referenced to above.

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

For institutions that have not adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities (see the General Instructions for Schedule RAL, Memorandum items 1 through 4), report equity securities and other equity investments without readily determinable fair values at historical cost. These securities are outside the scope of ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities").

For institutions that have adopted ASU 2016-01, report equity securities and other equity investments without readily determinable fair values at (i) fair value or (ii) if chosen by the reporting institution for an individual equity investment that does not have a readily determinable fair value, at cost minus impairment, if any, plus or minus changes resulting from observable prices changes in orderly transactions for the identical or a similar investment of the same issuer. These equity securities are within the scope of ASC Topic 321, Investments-Equity Securities, or ASC Topic 323, Investments-Equity Method and Joint Ventures.

Although Federal Reserve Bank stock and Federal Home Loan Bank stock do not have readily determinable fair values, they are outside the scope of ASC Topics 321 and 323. In accordance with ASC Subtopic 942-325, Financial Services-Depository and Lending—Investments-Other, Federal Reserve Bank stock and Federal Home Loan Bank stock are carried at cost and evaluated for impairment.

(17) All other assets not specifically mentioned herein nor in Asset items 1(a) through 1(g), such as items temporarily held in suspense accounts. See the entry for "suspense accounts" in the Glossary.

(18) The liability to the reporting institution of its customers on drafts and bills of exchange that have been accepted by the reporting institution, or its agents, and that are outstanding (that is, not held by the reporting branch or agency) on the date of the report. Amounts reportable in Liability item 4.f., "Other liabilities to nonrelated parties" cannot be netted against this item or vice versa. Similarly, participations in acceptances—regardless of form or terminology—cannot be netted from this item. For further information, see the Glossary entry for "bankers acceptances."

Exclude the following from this item:

(1) All assets due from or claims upon related depository institutions which are to be reflected in "Net due from" (item 2) or "Net due to" (item 5) depending upon the overall due from/to position of the reporting branch or agency vis-à-vis its related depository institutions.

(2) Holdings of bills representing purchases of securities or other assets that have not yet been delivered. Such holdings are to be reported in Loans, item 1(e).

(3) Deferred tax assets. (See the Glossary entry for "U.S. income taxes").

(4) Institutions that have adopted ASU 2016-13, which governs the accounting for credit losses, should exclude any accrued interest receivables on financial assets that are reported elsewhere on Schedule RAL.

Item 1(i) Total claims on nonrelated parties.

Report in this item the sum of items 1(a) through 1(h).

Item 2 Net due from related depository institutions.

All balances and positions due from and due to the head office and related depository institutions should be reported as a single net amount. If that single net amount is a net due from, it should be entered in this item; if the single net amount is a net due to, it should be entered in Liability item 5. (Thus, there should be a positive amount reported in *either* item 2 or item 5, but not in both items, and neither item should show negative amounts.) The positions reported in item 2 or 5 should reflect all balances due from and due to the head office and related depository institutions wherever located including unremitted profits, any statutory or regulatory capital requirement, and any reserve accounts, and any allowance accounts. This includes any allowance for loan losses, or, for institutions that have adopted ASU 2016-13, any allowance for credit losses.

Item 2(a) For the reporting branch or agency including its IBF.

Report the net balances due from the head office and other related depository institutions of the reporting branch or agency, including its IBF. This balance is calculated by subtracting item 1(i), column A, "Total claims on nonrelated parties," from item 4(g), column A, "Total liabilities to nonrelated parties," if item 4(g) is greater than item 1(i); otherwise, enter zero in this item.

Item 2(b) For the IBF of the reporting branch or agency.

Report the net balances due from the establishing entity, head office, and other related depository institutions of the IBF of the reporting branch or agency. This balance is calculated by subtracting item 1(i), column B, from item 4(g), column B, if item 4(g) is greater than item 1(i); otherwise, enter zero in this item.

Item 3 Total assets.

Report the sum of items 1(i) and 2(a), for item 3, column A. For column B, item 3, report the sum of items 1(i) and 2(b). These items must equal item 6, column A or B, as appropriate, "Total liabilities."

NOTE: Because of the structure of this schedule and the separate identification in item 2(b) and 5(b) of the net due from or due to position of the reporting branch or agency's IBF (if any) vis-à-vis its establishing entity, head office, and other related depository institutions, total assets of the IBF only, as reported in column B, item 3, may not be a component of total assets of the reporting branch or agency, including its IBF, as reported in column A, item 3. However, the total of IBF claims on unrelated parties or related nondepository institutions as reported in item 1(i), column B, *is* a component of item 1(i), column A.

Liabilities

Item 4(a) Total deposits and credit balances.

Report in column A the sum of the amounts reported in Schedule E, item 7, columns A, C, and D. Report in column B the amount reported in Schedule E, item 7, column D. Detailed definitions of deposit items are to be found in the instructions for Schedule E.

Item 4(b)(1) Federal funds purchased.

Federal funds purchased are immediately available funds borrowed under agreements or contracts that mature in one business day or roll over under a continuing contract, excluding such funds borrowed in the form of securities sold under agreements to repurchase (which should be reported in Schedule RAL, item 4(b)(2)) and Federal Home Loan Advances (which should be reported in Schedule RAL item 4.c.). Transactions that are to be reported as federal funds purchased may be secured or unsecured or may involve an agreement to repurchase loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing institution can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. A continuing contract, regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate.

Report federal funds purchased on a gross basis; i.e., do not net them against federal funds sold, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts").

Exclude from items 4(b)(1)a and 4(b)(1)b:

(1) Purchases of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions") (report in Schedule RAL item 4.c.).

(2) Security repurchase agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the bank to repurchase the identical secruity sold or a security that meet the definition of substantially the same in the case of a dollar roll (report in Schedule RAL, item 4(b)(2), "Securities sold under agreements to repurchase").

(3) Borrowings from a Federal Home Loan Bank or a Federal Reserve Bank (report those in those in the form of securities repurchase agreements in Schedule, RAL, item 4(b)(2), and all other borrowings in Schedule RAL, item 4.c.

(4) Borrowing transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not security repurchase agreements (report in Schedule RAL item 4.c.).

For further information, see the Glossary entry for "federal funds transactions."

Item 4(b)(1)(a) Federal Funds purchased with commercial banks in the U.S.

In column A, report federal funds purchased (as defined above) from all non-related commercial banks domiciled in the U.S. For purposes of this schedule, commercial banks include:

(1) national banks;

(2) state-chartered commercial banks;

(3) trust companies that perform a commercial banking business;

(4) industrial banks;

(5) private or unincorporated banks;

(6) International Banking Facilities (IBFs) of U.S. banking institutions;

(7) Edge and Agreement corporations; and

(8) U.S. branches and agencies of foreign banks (including their IBFs).

For purposes of this schedule, the term "U.S. Branches and agencies of foreign banks" covers:

(1) the U.S. branches and agencies of other 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 non-related foreign banks.

NOTE: IBFs are to report in column B, federal funds purchased from:

(1) IBFs of all nonrelated commercial banks in the U.S., including IBFs of U.S. branches and agencies of foreign banks; and

(2) non-related U.S. and foreign commercial banks domiciled in Puerto Rico and in the U.S. territories and possessions, including branches and agencies of other foreign banks located in Puerto Rico and in the U.S. territories and possessions.

Item 4(b)(1)(b) Federal Funds purchased with others.

In column A, report federal funds purchased (as defined above) from nonrelated institutions not covered in item 4.b.(1)a, such as other depository institutions, state and local governments, agencies of the U.S. Government, banks in foreign countries (including branches and subsidiaries of U.S. banks), and any other nonrelated institution or organization located in the U.S. or abroad.

NOTE: In the IBF column, report federal funds purchased from:

(1) IBFs of all nonrelated depository institutions in the U.S., including IBFs of U.S. branches and agencies of foreign banks;

(2) nonrelated U.S. and foreign depository institutions domiciled in Puerto Rico and in the U.S. territories and possessions, including branches and agencies of other foreign banks located in Puerto Rico and the U.S. territories and possessions;

(3) IBFs of all nonrelated depository institutions other than commercial banks;

(4) persons or other nonbank entities domiciled in the U.S; and

(5) persons domiciled in foreign countries.

Item 4(b)(2) Securities sold under agreements to repurchase.

Securities sold under agreements to repurchase include:

(1) Securities repurchase agreements, regardless of maturity, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll.

(2) Sales of participations in pools of securities, regardless of maturity.

Report securities sold under agreements to repurchase on a gross basis, i.e., do not net them against securities purchased under agreements to resell, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements").

Exclude from items 4(b)(2)a and 4(b)(2)b the following:

(1) Repurchase agreements involving assets other than securities (report in Schedule RAL, item 4(b)(1), "Federal funds purchased," or Schedule RAL, item 4.c., "Other borrowed money," as appropriate, depending on the maturity and office location of the transaction).

(2) Borrowings from a Federal Home Loan Bank or a Federal Reserve Bank other than in the form of security repurchase agreements (report in Schedule RAL, item 4.c.).

(3) Obligations under due bills that resulted when the bank sld securities or other assets and received payment, but has not yet delivered the assets, and similar obligations, whether collateralized or uncollateralized (report in Sched-

ule RAL, item 4.c.). See the Glossary entry for "due bills."

(4) Yield maintenance dollar repurchase agreements (see the Glossary entry for "repurchase/resale agreements").

For further information, see the Glossary entry for "repurchase/resale agreements."

Item 4(b)(2)(a) Securities sold under agreements to repurchase with commercial banks in the U.S.

In column A, report securities sold under agreements to repurchase (as defined above) with all non-related commercial banks domiciled in the U.S. For purposes of this schedule, commercial banks include:

(1) national banks;

(2) state-chartered commercial banks;

(3) trust companies that perform a commercial banking business;

(4) industrial banks;

(5) private or unincorporated banks;

(6) International Banking Facilities (IBFs) of U.S. banking institutions;

(7) Edge and Agreement corporations; and

(8) U.S. branches and agencies of foreign banks (including their IBFs).

For purposes of this schedule, the term "U.S. Branches and agencies of foreign banks" covers:

(1) the U.S. branches and agencies of other 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 nonrelated foreign banks.

NOTE: IBFs are to report in column B, securities sold under agreements to repurchase with:

(1) IBFs of all nonrelated commercial banks in the U.S., including IBFs of U.S. branches and agencies of foreign banks; and

(2) non-related U.S. and foreign commercial banks domiciled in Puerto Rico and in the U.S. territories and possessions, including branches and agencies of other foreign banks located in Puerto Rico and in the U.S. territories and possessions.

Item 4(b)(2)(b) Securities sold under agreements to repurchase with others.

In column A, report securities sold under agreements to repurchase (as defined above) with nonrelated institutions not covered in item 4.b.(2)a., such as other depository institutions, state and local governments, agencies of the U.S. Government, banks in foreign countries (including branches and subsidiaries of U.S. banks), and any other nonrelated institution or organization located in the U.S. or abroad.

NOTE: In the IBF column, report securities sold under agreements to repurchase with:

(1) IBFs of all nonrelated depository institutions in the U.S., including IBFs of U.S. branches and agencies of foreign banks;

(2) nonrelated U.S. and foreign depository institutions domiciled in Puerto Rico and in the U.S. territories and possessions, including branches and agencies of other foreign banks located in Puerto Rico and the U.S. territories and possessions;

(3) IBFs of all nonrelated depository institutions other than commercial banks;

(4) persons or other nonbank entities domiciled in Puerto Rico or in the U.S. territories and possessions; and

(5) persons domiciled in foreign countries.

Item 4(c) Other borrowed money.

Report the amount from Schedule P, item 4. For detailed definitions, see the instructions to Schedule P.

Item 4(d) Not applicable.

Item 4(e) Trading liabilities.

Report the amount of liabilities from the reporting branch or agency's trading activities. Include liabilities resulting from sales of assets that the reporting branch or agency does not own (see the Glossary entry for "short position") and revaluation losses from the "marking to market" of derivative contracts into which the reporting branch or agency has entered for trading and similar purposes.

Revaluation gains and losses (i.e., assets and liabilities) from the "marking to market" of the reporting institution's derivative contracts executed with the same counterparty that meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts") (e.g., those contracts subject to a qualifying master netting arrangement) may be reported on a net basis using this item and Schedule RAL, item 1(f), "Trading assets," as appropriate. (For further information, see the Glossary entry for "offsetting.")

Item 4(f) Other liabilities (to nonrelated parties).

For the reporting branch or agency, including its IBF, report in column A the total of all other obligations to related nondepository and nonrelated parties, and other liabilities, which cannot properly be reported against Liability items 4(a) through 4(e) of this schedule.

Some of the liabilities to be reported by the branch or agency in this item include:

(1) Expenses accrued and unpaid.

(2) Amounts in transit to other institutions. Report the amount of drafts, or other authorizations to charge the reporting institution's account at another institution, until the date when the other institution would ordinarily debit the reporting institution's account.

(3) Liability for deferred payment letters of credit.

(4) The amount of mortgages, liens, or other encumbrances on premises and fixed assets and on other real estate owned for which the reporting institution is liable.

(5) The reporting institution's liability on capitalized leased property. (See "lease accounting" in the Glossary.)

(6) Deferred gains from sale–leaseback transactions.

(7) Accounts payable.

(8) Unamortized loan fees, other than those that represent an adjustment of the interest yield, if material.

(9) Derivative contracts with nonrelated parties that have a negative fair value that are held for purposes other than trading. For further information, see the Glossary entry for "derivative contracts."

(10) The amount of drafts and bills of exchange accepted by the reporting branch or agency, or by its agents, that are outstanding and that are not owned by the reporting branch or agency on the date of the report. Amounts reportable in item 1.h., "Other assets including other claims on nonrelated parties" cannot be netted against this item and vice versa. Similarly, participations in acceptances—regardless of form or terminology—cannot be netted from this item. For further information, see the Glossary entry for "bankers acceptances."

Exclude the following accounts, which should be reported as "deposit liabilities" in the appropriate Item of Schedule E.

(1) Proceeds from the sale of savings bonds.

(2) Withheld taxes, social security taxes, sales taxes, and similar items.

(3) Mortgage and other escrow funds, such as funds received for payment of taxes, insurance, etc., sometimes described as mortgagors' deposits, mortgage credit balances, or suspense or escrow accounts.

(4) Undisbursed loan funds (proceeds of loans for which borrowers are liable and pay interest thereon, including funds deposited by the borrowers in such accounts).

(5) Funds held as dealer reserves. See the Glossary entry for "dealer reserve account" for the definition of this term.

Also *exclude* the following from this item:

(1) All liabilities due to related depository institutions which are to be reflected in net due from (item 2) or net due to (item 5) depending upon the overall due from/due to position of the reporting branch or agency vis-à-vis its related depository institutions.

(2) Due bills or similar instruments representing securities sold by the reporting institution but not yet delivered to customers. (Report in Schedule P— "Other borrowed money.")

(3) Liabilities incurred by short sales of securities that are not in the form of due bills or similar instruments. Report in Schedule RAL, item 4(e), "Trading liabilities." The right to receive payment on the sale of the securities is to be reported in Schedule RAL, item 1(h).

(4) Deferred tax liabilities. (See the Glossary entry for "U.S. income taxes").

NOTE: For the branch or agency's IBF, report in column B all IBF liabilities to related nondepository and nonrelated depository institutions that are not reported in items 4(a), 4(b), and 4(c) above.

Item 4(g) Total liabilities to nonrelated parties.

Report in this item the sum of items 4(a) through 4(f).

Item 5 Net due to related depository institutions.

All balances and positions due from and due to the head office and related depository institutions should be reported as a single net amount. If that single net amount is a net due to, it should be entered in this item; if the single net amount is a net due from, it should be entered in Asset item 2. (Thus, there should be a positive amount reported in either item 2 or 5, but not in both items, and neither item should show negative amounts.) The positions reported in item 2 or 5 should reflect all balances due from and due to the head office and related depository institutions wherever located including unremitted profits, any statutory or regulatory capital requirement, and any reserve accounts, and any allowance accounts. This includes any allowance for loan losses, or, for institutions that have adopted ASU 2016-13, any allowance for credit losses.

Item 5(a) For the reporting branch or agency including its IBF.

Report the net balances due to the head office and other related depository institutions of the reporting branch or agency, including its IBF. This balance is calculated by subtracting item 4(g), column A, "Total liabilities to nonrelated parties," from item 1(i), column A, "Total claims on nonrelated parties," if item 1(i) is greater than item 4(g); otherwise, enter zero in this item.

Item 5(b) For the IBF of the reporting branch or agency.

Report the net balances due to the establishing entity, head office, and other related depository institutions of the IBF of the reporting branch or agency. This balance is calculated by subtracting item 4(g), column B, from item 1(i), column B, if item 1(i) is greater than 4(g); otherwise, enter zero in this item.

Item 6 Total liabilities.

Report the sum of items 4(g) and 5(a) for item 6, column A. For column B, item 6, report the sum of items 4(g) and 5(b). These items must equal item 3, "Total assets," column A or B, as appropriate.

NOTE: Because of the structure of this schedule and the separate identification in item 2(b) and 5(b) of the net due from or due to position of the reporting branch or agency's IBF (if any) vis-à-vis its establishing entity, head office, and other related depository institutions, total liabilities of the IBF only, as reported in column B, item 6, may not be a component of total liabilities of the reporting branch or agency, including its IBF, as reported in column A, item 6. However, the total of IBF claims on unrelated parties as reported in item 4(g), column B, *is* a component of item 4(g), column A.

Memoranda

General Instructions for Memorandum Items 1, 2, 3.a, 3.b, and 4:

Memorandum items 1 through 4 are for additional information on the reporting branch or agency's securities reported in Schedule RAL, items 1(b) and 1(c), which are securities not held for trading. Memoran-

dum items 1 and 2 are for held-to-maturity securities and Memorandum items 3.a and 3.b are for available-for-sale securities.

Memorandum item 4 is for equity securities with readily determinable fair values not held for trading and is to be completed only by institutions that have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investments in mutual funds, and eliminates the concept of available-for-sale equity securities. ASU 2016-01 requires holdings of equity securities (except those accounted for under the equity method or that result in consolidation), including other ownership interests (such as interests in partnerships, unincorporated joint ventures, and limited liability companies), to be measured at fair value with changes in fair value recognized through net income. However, an institution may choose to measure equity securities and other equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Institutions that have not adopted ASU 2016-01 should leave Memorandum item 4 blank and report the fair value and historical cost (not amortized cost) of their holdings of equity securities with readily determinable fair values not held for trading as available-for-sale equity securities in Schedule RAL, Memorandum items 3.a and 3.b, respectively.

For institutions that are public business entities, as defined in U.S. GAAP, ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For example, an institution with a calendar year fiscal year that is a public business entity must begin to apply ASU 2016-01 in its FFIEC 002 for March 31, 2018. For all other institutions, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. For example, an institution with a calendar year fiscal year that is not a public business entity must begin to apply ASU 2016-01 in its FFIEC 002 for December 31, 2019. Early application of ASU 2016-01 is permitted for all institutions that are not public business entities as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.

For institutions that have not adopted ASU 2016-01, the sum of Memorandum items 2 and 3.a must equal the sum of items 1(b)(1), 1(b)(2), 1(c)(1), 1(c)(2), 1(c)(3), and 1(c)(4) of Schedule RAL. For institutions that have adopted ASU 2016-01, the sum of Memorandum items 2, 3.a, and 4 must equal the sum of items 1(b)(1), 1(b)(2), 1(c)(1), 1(c)(2), 1(c) (3), and 1(c)(4) of Schedule RAL.

Exclude from Memorandum items 1 through 4 all securities held for trading. Securities held for trading are to be reported in Schedule RAL, item 1(f), "Trading assets." Also exclude equity securities that do not have readily determinable fair values. These equity securities are to be reported in Schedule RAL, item 1(h), "Other assets (including other claims on nonrelated parties)."

Amortized cost must include amortization of premium and accretion of discount on securities purchased at other than par or face value (including U.S. Treasury bills).

See the Glossary entry for "fair value" for further information on this subject.

Memoranda Item Instructions

Item M1 Fair value of held-to-maturity securities.
Report the fair value of held-to-maturity securities.

Item M2 Amortized cost of held-to-maturity securities.
Report the amortized cost of held-to-maturity securities.

Item M3 Available-for-sale securities.

Item M3.a Fair value of available-for-sale securities.
For institutions that have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), report the fair value of available-for-sale debt securities. Exclude the fair value of equity securities with readily determinable fair values not held for trading, which should be reported in Schedule RAL, Memorandum item 4.

For institutions that have *not* adopted ASU 2016-01, report the fair value of available-for-sale debt securities and equity securities with readily determinable fair values not held for trading (i.e., available-for-sale equity securities).

Item M3.b Amortized cost of available-for-sale securities.

For institutions that have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), report the amortized cost of available-for-sale debt securities.

For institutions that have *not* adopted ASU 2016-01, report the amortized cost of available-for-sale debt securities and the historical cost of equity securities with readily determinable fair values not held for trading (i.e., available-for-sale equity securities).

Item M4 Fair value of equity securities with readily determinable fair values not held for trading.

Report the fair value of all investments in mutual funds and other equity securities (as defined in ASC Topic 321, Investments-Equity Securities) with readily determinable fair values that are not held for trading. Such securities include, but are not limited to, money market mutual funds, mutual funds that invest solely in U.S. Government securities, common stock, and perpetual preferred stock. Perpetual preferred stock does not have a stated maturity date and cannot be redeemed at the option of the investor, although it may be redeemable at the option of the issuer.

According to ASC Topic 321, the fair value of an equity security is readily determinable if sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by OTC Markets Group Inc. ("Restricted stock" meets that definition if the restriction terminates within one year.) The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above. The fair value of an investment in a mutual fund (or in a structure similar to a mutual fund, i.e., a limited partnership or a venture capital entity) is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.

Investments in mutual funds and other equity securities with readily determinable fair values may have been purchased by the reporting institution or acquired for debts previously contracted.

Include in this item common stock and perpetual preferred stock of the Federal National Mortgage Association (Fannie Mae), common stock and perpetual preferred stock of the Federal Home Loan Mortgage Corporation (Freddie Mac), Class A voting and Class C non-voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac), and common and preferred stock of SLM Corporation (the private-sector successor to the Student Loan Marketing Association).

Exclude from equity securities with readily determinable fair values not held for trading:

(1) Paid-in stock of a Federal Reserve Bank (report as an equity investment without a readily determinable fair value in Schedule RAL, item 1(h)).

(2) Stock of a Federal Home Loan Bank (report as an equity investment without a readily determinable fair value in Schedule RAL, item 1(h)).

(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac) (report in Schedule RAL, item 1.(h)).

(4) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities subject to mandatory redemption (report such preferred stock as an other debt security in Schedule RAL, item 1(c)(4)).

(5) "Restricted stock," i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year (if the restriction does not terminate within one year,

report "restricted stock" as an equity investment without a readily determinable fair value in Schedule RAL, item 1(h)).

(6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank (report as an equity investment without a readily determinable fair value in Schedule RAL, item 1(h)).

(7) Minority interests held by the reporting institution in any companies not meeting the definition of associated company (report as equity investments without readily determinable fair values in Schedule RAL, item 1(h)), and minority holdings that indirectly represent bank premises or other real estate owned (report in Schedule RAL, item 1(h)), provided that the fair value of any capital stock representing the minority interest is not readily determinable.

(8) Equity holdings in those corporate joint ventures over which the reporting institution does not exercise significant influence (report as equity investments without readily determinable fair value in Schedule RAL, item 1(h)), and equity holdings that indirectly represent bank premises or other real estate owned (report in Schedule RAL, item 1(h)).

(9) Holdings of capital stock of and investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the reporting bank exercises significant influence (report in Schedule RAL, item 1(h)).

Item M5 Loans held for trading.

Item M5.a Loans secured by real estate.

In column A, report in the appropriate subitem the total fair value of loans secured by real estate (as defined for Schedule C, part I, item 1) held for trading. In column B, IBFs are to report in the appropriate subitem the total fair value of loans secured by real estate (as defined for Schedule C, part I, item 1) held for trading.

Item M5.a.(1) Loans secured by 1–4 family residential properties.

Report the total fair value of all open-end and closed-end loans secured by 1–4 family residential properties (as defined for Schedule C, part I, item 1.c) held for trading.

Include:

(1) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit (as defined for Schedule C, part I, item 1.c.(1)) held for trading.

(2) Closed-end loans secured by first and junior liens on 1–4 family residential properties (as defined for Schedule C, part I, item 1.c.(2)) held for trading.

Item M5.a.(2) All other loans secured by real estate

Report the total fair value of all other loans secured by real estate held for trading.

Include:

(1) Construction, land development, and other land loans (as defined for Schedule C, part I, item 1.a) held for trading.

(2) Loans secured by farmland (as defined for Schedule C, part I, item 1.b) held for trading.

(3) Loans secured by multifamily (5 or more) residential properties (as defined for Schedule C, part I, item 1.d) held for trading.

(4) Loans secured by nonfarm nonresidential properties (as defined for Schedule C, part I, item 1.e) held for trading.

Item M5.b. Commercial and industrial loans.

Report the total fair value of commercial and industrial loans (as defined for Schedule C, part I, item 4) held for trading.

Item M5.c Other loans.

Report the total fair value of all other loans held for trading that cannot properly be reported in one of the preceding subitems of this Memorandum item 5. Such loans include “Loans to depository institutions and acceptances of other banks,” “Loans to financial institutions,” “Loans for purchasing or carrying securities,” “Loans to foreign governments and official institutions,” and “All other loans” (as defined for Schedule C, part I, items 2, 3, 6, 7, and 8).

Item M6 Unpaid principal balance of loans held for trading.

Item M6.a Loans secured by real estate.

In column A, report in the appropriate subitem the unpaid principal balance of loans measured at fair value that are secured by real estate reported in Schedule RAL, Memorandum item 5. In column B, IBFs are to report in the appropriate subitem the unpaid principal balance of loans measured at fair value that are secured by real estate reported in Schedule RAL, Memorandum item 5.

Item M6.a.(1) Loans secured by 1–4 family residential properties.

Report the total unpaid principal balance outstanding for all loans secured by 1–4 family residential properties held for trading reported in Schedule RAL, Memorandum item 5.a.(1).

Include:

(1) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit (as defined for Schedule C, part I, item 1.c.(1)) held for trading.

(2) Closed-end loans secured by first and junior liens on 1–4 family residential properties (as defined for Schedule C, part I, item 1.c.(2)) held for trading.

Item M6.a.(2) All other loans secured by real estate.

Report the total unpaid principal balance outstanding for all other loans secured by real estate held for trading reported in Schedule RAL, Memorandum item 5.a.(2).

Include:

(1) Construction, land development, and other land loans (as defined for Schedule C, part I, item 1.a) held for trading.

(2) Loans secured by farmland (as defined for Schedule C, part I, item 1.b) held for trading.

(3) Loans secured by multifamily (5 or more) residential properties (as defined for Schedule C, part I, item 1.d) held for trading.

(4) Loans secured by nonfarm nonresidential properties (as defined for Schedule C, part I, item 1.e) held for trading.

Item M6.b Commercial and industrial loans.

Report the unpaid principal balance of loans of commercial and industrial loans reported in memorandum item 5.b.

Item M6.c Other loans.

Report the unpaid principal balance of all other loans held for trading that cannot properly be reported in one of the preceding subitems of this item 6. Such loans include "Loans to depository institutions and acceptances of other banks," "Loans to financial institutions," "Loans for purchasing or carrying securities," "Loans to foreign governments and official institutions," and "All other loans" (as defined for Schedule C, part I, items 2, 3, 6, 7, and 8) reported in memorandum item 5.c.

Items M7 and M8 Structured notes.

Report in Memorandum items 7 and 8 all structured notes included in the held-to-maturity and available-for-sale accounts and reported in Schedule RAL, Memorandum items 1 through 4 above. In general, structured notes are debt securities whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options or are otherwise commonly known as "structured notes." Include as structured notes any asset-backed securities (other than mortgage-backed securities) which possess the aforementioned characteristics. Exclude from structured notes all "inflation indexed" securities issued by the U.S. Treasury.

Structured notes include, but are not limited to, the following common structures:

(1) Floating rate debt securities whose payment of interest is based upon a single index of a Constant Maturity Treasury (CMT) rate or a Cost of Funds Index (COFI).

(2) *Step-up Bonds.* Step-up securities initially pay the investor an above-market yield for a short noncall period and then, if not called, "step up" to a higher coupon rate (which will be below current market rates). The investor initially receives a higher yield because of having implicitly sold one or more call options. A step-up bond may continue to contain call options even after the bond has stepped up to the higher coupon rate. A *multistep* bond has a series of fixed and successively higher coupons over its life. At each call date, if the bond is not called, the coupon rate increases.

(3) *Index Amortizing Notes (IANs).* IANs repay principal according to a predetermined amortization schedule that is linked to the level of a specific index (usually the London Interbank Offered Rate—LIBOR—or a specified prepayment rate). As market interest rates increase (or prepayment rates decrease), the maturity of an IAN extends, similar to that of a collateralized mortgage obligation.

(4) *Dual Index Notes.* These bonds have coupon rates that are determined by the difference between two market indices, typically the CMT

rate and LIBOR. These bonds often have a fixed coupon rate for a brief period, followed by a longer period of variable rates, e.g., 8 percent fixed for two years, then the 10-year CMT rate plus 300 basis points minus three-month LIBOR.

(5) *De-leveraged Bonds.* These bonds pay investors according to a formula that is based upon a fraction of the increase or decrease in a specified index, such as the CMT rate or the prime rate. For example, the coupon might be the 10-year CMT rate multiplied by 0.5, plus 150 basis points. The de-leveraging multiplier (0.5) causes the coupon to lag overall movements in market yields. A *leveraged* bond would involve a multiplier greater than 1.

(6) *Range Bonds.* Range bonds (or accrual bonds) pay the investor an above-market coupon rate as long as the reference rate is between levels established at issue. For each day that the reference rate is outside this range, the bonds earn no interest. For example, if LIBOR is the reference rate, a bond might pay LIBOR plus 75 basis points for each day that LIBOR is between 3.5 and 5.0 percent. When LIBOR is less than 3.5 percent or more than 5 percent, the bond would accrue no interest.

(7) *Inverse Floaters.* These bonds have coupons that increase as rates decline and decrease as rates rise. The coupon is based upon a formula, such as 12 percent minus three-month LIBOR.

Exclude from structured notes floating rate debt securities denominated in U.S. dollars whose payment of interest is based upon a single index of a Treasury bill rate, the prime rate, or LIBOR and which do not con tain adjusting caps, adjusting floors, leverage, or variable principal redemption. Furthermore, debt securities that do not possess the aforementioned characteristics of a structured note need not be reported as structured notes solely because they are callable as of a specified date at a specified price. In addition, debt securities that in the past possessed the characteristics of a structured note, but which have "fallen through" their structures (e.g., all of the issuer's call options have expired and there are no more adjustments to the interest rate on the security), need not be reported as structured notes.

Generally, municipal and corporate securities that have periodic call options should *not* be reported as structured notes. Although many of these securities have features similar to those found in some structured notes (e.g., step-ups, which generally remain callable after a step-up date), they are *not commonly known* as structured notes. Examples of such callable securities that should *not* be reported as structured notes include:

(1) Callable municipal and corporate bonds which have single (or multiple) explicit call dates and then can be called on any interest payment date after the last explicit call date (i.e., they are continuously callable).

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

The mere existence of simple caps and floors does not necessarily make a security a structured note. Securities with *adjusting* caps or floors (i.e., caps or floors that change over time), however, are structured notes. Therefore, the following types of securities should *not* be reported as structured notes:

(1) Variable rate securities, including Small Business Administration "Guaranteed Loan Pool Certificates," *unless* they have features of securities which are commonly known as structured notes (i.e., they are inverse, range, or de-leveraged floaters, index amortizing notes, dual index or variable principal redemption or step-up bonds), or have adjusting caps or floors.

(2) Mortgage-backed securities.

Item M7 Fair value of structured notes.

Report the fair value of structured notes included in the held-to-maturity and available-for-sale accounts. The fair value of these securities will have been reported in Schedule RAL, Memorandum items 1 and 3 above. Do not combine or otherwise net the fair value of any structured note with the fair or book value of any related asset, liability, or derivative contract.

Item M8 Amortized cost of structured notes.

Report the amortized cost of all structured notes included in the held-to-maturity and available-for-sale accounts. The amortized cost of these securities will

have been reported in Schedule RAL, Memorandum items 2 and 4 above.

Item M9 Assets under the reporting branch or agency's management in proprietary mutual funds and annuities.

Report the amount of assets (stated in U.S. dollars) held by mutual funds and annuities as of the report date for which the reporting branch or agency or a subsidiary of the branch or agency acts as investment adviser. If neither the branch or agency nor any subsidiary of the branch or agency acts as investment adviser for a mutual fund or annuity, the branch or agency should report a zero or the word "none" in this item.

Mutual fund is the common name for an open-end investment company whose shares are sold to the investing public. An annuity is an investment product, typically underwritten by an insurance company, that pays either a fixed or variable payment stream over a specified period of time. Both proprietary and private label mutual funds and annuities are established in order to be marketed primarily to a branch or agency's customers. A proprietary product is a product for which the reporting branch or agency, or an affiliate of the reporting branch or agency, acts as investment adviser and may perform additional support services. In a private label product, an unaffiliated entity acts as the investment adviser. The identity of the investment adviser is normally disclosed in the prospectus for a mutual fund or annuity. Mutual funds and annuities that are not proprietary or private label products are considered third party products. For example, third party mutual funds and annuities include products that are widely marketed by numerous parties to the investing public and have investment advisers that are not affiliated with the reporting branch or agency.

Item M10 Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts held for trading purposes.

Report the amount of revaluation gains (i.e., assets) from the "marking to market" of derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the "marking to market" of the reporting branch or agency's derivative contracts executed with the same counterparty that meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts") (e.g., those contracts subject to a qualifying master netting arrangement) may be reported on a net basis using this Memorandum item and Memorandum item 11 below, as appropriate.

Item M11 Revaluation losses on interest rate, foreign exchange rate, and other commodity and equity contracts held for trading purposes.

Report the amount of revaluation losses (i.e., liabilities) from the "marking to market" of derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the "marking to market" of the reporting branch or agency's derivative contracts executed with the same counterparty that meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts") (e.g., those contracts subject to a qualifying master netting arrangement) may be reported on a net basis using this Memorandum item and Memorandum item 10 above, as appropriate.

Item M12 Not applicable.

Item M13 Pledged U.S. Government securities.

Report the amortized cost of all held-to-maturity securities and the fair value of all available-for-sale securities included in Schedule RAL, item 1(b), 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 securities are pledged), as performance bonds under futures or forward contracts, or for any other purpose.

Item M14 If other assets including other claims on nonrelated parties (item 1(h)) exceed 5 percent of total assets (item 3), itemize and describe amounts that exceed 25 percent of item 1(h).

The description of each of these amounts should not exceed 50 characters in length (including spacing between words).

Item M15 If other liabilities to nonrelated parties (item 4(f)) exceed 5 percent of total liabilities (item 6), itemize and describe amounts that exceed 25 percent of item 4(f).

The description of each of these amounts should not exceed 50 characters in length (including spacing between words).

Item M16 Number of full-time equivalent employees of the branch or agency at end of current period.

Report the number of full-time equivalent employees of the branch or agency as of the report date (round to the nearest whole number). For purposes of this item, a branch or agency should include as employees individuals who, in form, are employed by an affiliate but who, in substance, do substantially all of their work for the reporting branch or agency. To convert the number of part-time employees to full-time equivalent employees, add the total number of hours all part-time and temporary employees worked during the quarter ending on the report date and divide this amount by the number of hours a full-time employee would have been expected to work during the quarter. Round the result to the nearest whole number and add it to the number of full-time employees. (A full-time employee may be expected to work more or less than 40 hours each week, depending on the policies of the reporting branch or agency.)

Item M17 To be reported only with the March Report of Assets and Liabilities.

Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the branch or agency by independent external auditors during the preceding year. Report the number of the statement listed on the report form that best describes the most comprehensive level of auditing work performed by any auditors during the preceding calendar year.

The term "any date during the preceding calendar year" refers to the date of the balance sheet reported on by the auditor (or the date as of which certain agreed-upon procedures were applied to selected records and transactions by the auditor) regardless of the actual date of the commencement of the auditing work (audit, review, compilation, or specific procedures) and regardless of the date of the report submitted by the auditor.

Exclude from "auditing work performed" any tax or consulting work regardless of whether it was performed by an independent certified public accounting firm or others.

Statutory or Regulatory Requirement

As appropriate for the reporting institution.

Report in this item, where applicable, the amounts of assets pledged and/or maintained as required by federal or state regulation or statute. For example, if the respondent is subject to asset maintenance and asset pledge/ capital equivalency deposit requirements under state law and the FDIC asset maintenance requirement, items 1, 2, and 3 should be completed. If the respondent is not subject to a requirement, "N/A" should be entered.

Item S1 Asset maintenance requirement.

Report the total amount of assets in the respondent's portfolio that is eligible to satisfy asset maintenance requirements imposed by regulatory authorities other than the FDIC. A state-chartered branch or agency must report the amount required by state law or regulation. (Where such requirements exist, the maintenance of eligible assets is often stated in terms of 108 or 110 percent of a specific liability total.) FDIC-insured branches should report assets maintained to satisfy the FDIC asset maintenance requirement in item S3(b) below.

Item S2 Asset pledge requirement/Capital equivalency deposit.

Report the total amount of assets pledged (principal amount or market value, whichever is lower) or capital equivalency deposit by the respondent to safeguard certain liabilities in accordance with federal or state requirements. A federally-licensed branch or agency must report in this item the amount of assets pledged as specified by Comptroller of the Currency regulation 12 C.F.R. 28.6. A state-chartered branch or agency must report the amount of assets pledged, security deposits or similar segregation of assets as specified by the requirements of state law or regulation.

Do not report here the amount of assets pledged solely for deposit insurance purposes as required by the Federal Deposit Insurance Corporation under Section 347.210 of the FDIC's Rules and Regulations or

by similar regulation imposed by any state. Do not report here reserve balances or special deposits maintained at the Federal Reserve Bank under Regulation D.

Item S3 FDIC asset maintenance requirement.

Items S3(a) and S3(b) are to be completed by FDIC-insured branches only.

Item S3(a) Average liabilities for the preceding calendar quarter.

Report the average book value of the liabilities of the branch for the calendar quarter preceding the quarter-ending on the report date, calculated in accordance with Section 347.210 of the FDIC's Rules and Regulations. The average book value for a quarter is exclusive of liabilities due to the parent bank's head office, other branches, agencies, offices, or wholly owned subsidiaries and shall be, at the branch or agency's option, either an average of the balances as of the close of business for each day for the quarter or an average of the balances as of the close of business on each Wednesday during the quarter. For days on which the branch is closed, the amount outstanding from the previous business day is to be used.

Item S3(b) Eligible assets as of the report date.

Report the total amount of assets in the respondent's portfolio as of the report date that is eligible to satisfy the FDIC asset maintenance requirement. The exclusions from eligibility are specified in Section 347.210(b) of the FDIC's Rules and Regulations.

INSTRUCTIONS FOR THE PREPARATION OF

Cash and Balances Due From Depository Institutions
Schedule A

General Instructions

Amounts reported in this Schedule should *exclude* all claims on the reporting institution's head office and other related depository institutions as defined under "related institutions" in the Glossary.

The amounts reported in column A are for the reporting branch or agency *including* its IBF, and those reported in column B are for the reporting branch or agency's IBF only. If the reporting branch or agency has *no* IBF, *no* amounts are to be reported in column B. The shaded items in the IBF column reflect the fact that certain types of assets are not permissible for IBFs (refer to the Glossary entry for "International Banking Facility (IBF)" for a further discussion). Unless otherwise specified, the item instructions pertain to both the reporting branch or agency, including its IBF, and the IBF only. At times the instructions may discuss assets that are permissible for the branch or agency but not for the IBF. Report in the IBF column only those permissible IBF assets.

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

Exclude from this schedule:

(1) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule C, part I, item 2, "Loans to depository institutions and acceptances of other banks," as appropriate).

(2) Loans to depository institutions (report in Schedule C, part I, item 2, as appropriate).

(3) Unavailable balances due from closed or liquidating banks or other depository institutions (report in Schedule RAL, item 1(h), "Other assets including other claims on nonrelated parties").

(4) All balances maintained by the trust department of the reporting institution in a fiduciary capacity with other institutions.

(5) Claims on depository institutions that the reporting institution holds for trading purposes (report in Schedule RAL, item 1(f), "Trading assets.")

Item Instructions

NOTE: All the items exclude claims on the reporting branch or agency's head office and other related depository institutions.

Item 1 Cash items in process of collection and unposted debits.

For purposes of this report, cash items in process of collection include the following:

(1) Checks or drafts in process of collection that are drawn on another depository institution (or on a Federal Reserve Bank), and that are payable in cash immediately upon presentation in the United States and its territories and possessions. This includes those checks or drafts drawn on other institutions that have already been forwarded for collection but for which the reporting

institution has not yet been given credit ("cash letters"), and checks or drafts on hand that will be presented for payment or forwarded for collection on the following business day. However, if the reporting institution has been given immediate credit for checks or drafts deposited with its correspondent, report the amount of such checks or drafts in item 3, "Balances due from depository institutions in the U.S.," or item 4, "Balances due from banks in foreign countries and foreign central banks," as appropriate.

(2) Government checks drawn on the Treasurer of the United States or any other government agency that are payable immediately upon presentation and that are in process of collection.

(3) Such other items in process of collection, payable immediately upon presentation in the United States, as are customarily cleared or collected by depository institutions as cash items, including:

(a) Amounts associated with automated payment arrangements in connection with payroll deposits, federal recurring payments, and other items that are credited to a depositor's account prior to the payment date to ensure that the funds are available on the payment date.

(b) Federal Reserve deferred account balances until credit has been received in accordance with the appropriate time schedules established by the Federal Reserve Banks. At that time, such balances should be reported in item 5, "Balances due from Federal Reserve Banks."

(c) Brokers' security drafts and commodity or bill-of-lading drafts payable immediately upon presentation in the United States. (See the Glossary entries for "broker's security draft" and "commodity or bill-of-lading draft" for the definition of these terms.)

Include in this item *unposted debits* to deposit liabilities or credit balances of the reporting institution, as appropriate. Unposted debits are cash items in the reporting institution's possession, drawn on itself, that are immediately chargeable, but have not yet been charged, to the General Ledger deposit control account at the close of business on the report date. Where allowed by state statute or written agreement, items payable at or through the reporting institution may, at the discretion of the reporting institution, be immediately charged against the deposits of the drawer. Such items may be regarded as drawn on the reporting institution and reported as unposted debits when they have been paid or credited but have not yet been charged against deposit liabilities at the close of business on a given date.

Exclude from cash items in process of collection:

(1) Cash items for which the reporting institution has already received credit (report in item 3, 4, or 5 below, as appropriate).

(2) Items handled as noncash collection items (to be reported in Schedule RAL, item 1(h), "Other assets including other claims on nonrelated parties").

(3) Such cash items in process of collection which are included in item 3 of this schedule, "Balances due from depository institutions in the U.S."

(4) Commodity or bill-of-lading drafts (including arrival drafts) not yet payable (because the merchandise against which the draft was drawn has not yet arrived), whether or not deposit credit has been given. (If deposit credit has been given, report as loans in the appropriate item of Schedule C; if the drafts were received on a collection basis, they should be excluded entirely from Schedule RAL until the funds have actually been collected.)

(5) Credit or debit card sales slips in process of collection (report as noncash items in Schedule RAL, item 1(h), "Other assets including other claims on nonrelated parties"). However, when the reporting institution has been notified that it has been given credit, the amount of such sales slips should be reported in item 3, "Balances due from depository institutions in the U.S.," or item 4, "Balances due from banks in foreign countries and foreign central banks," as appropriate.

Item 2 Currency and coin (U.S. and foreign).

Report all currency and coin (both U.S. and foreign) owned and held in the reporting institution's vaults; currency and coin in transit to a Federal Reserve Bank,

a foreign central bank, or any other depository institution (other than related banking institutions) for which the reporting institution has not yet received credit; and currency and coin in transit from a Federal Reserve Bank, a foreign central bank or from any other depository institution (other than related depository institutions) for which the reporting institution's account has already been charged.

Foreign currency and coin should be converted into U.S. dollar equivalents as of the report date.

Item 3 Balances due from depository institutions in the U.S.

Report in this item the balances due from depository institutions in the U.S. (other than balances due from related depository institutions, which are reported in Schedule M).

For the reporting branch or agency, depository institutions in the U.S. cover:

(1) U.S. branches and agencies of other foreign banks; and

(2) all other depository institutions in the U.S.

(Refer to the Glossary entry "depository institutions in the U.S." for a discussion.)

Balances due from such institutions cover all interest-bearing and noninterest-bearing balances whether in the form of demand, savings, or time balances, including certificates of deposit. Balances, as reported in these items, should reflect funds on deposit at other depository institutions in the U.S. for which the reporting institution has already received credit. Balances for which the reporting institution has not yet received credit are to be reported as "cash items in process of collection."

Include in the amounts to be reported here:

(1) balances due from the reporting institution's correspondents, including amounts that its correspondent is to pass through or already has passed through to a Federal Reserve Bank on behalf of the reporting institution (see Glossary entry for "pass-through reserve balances" for further discussion); and

(2) balances that reflect deposit credit received by the reporting institution because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RAL, item 1(h), "Other assets including other claims on nonrelated parties.")

Exclude from item 3:

(1) cash items in process of collection (unless the reporting institution has received immediate credit) and unposted debits, including cash letters (report in item 1 above);

(2) all balances that the reporting institution's trust department maintains in a fiduciary capacity with other depository institutions;

(3) loans to depository institutions (report in Schedule C, part I, item 2); and

(4) claims on depository institutions that the reporting institution holds for trading purposes (report in Schedule RAL, item 1(f), "Trading assets."

Treatment of reciprocal balances with other depository institutions. Reciprocal balances arise when two depository institutions maintain deposit accounts with each other, i.e., when the reporting branch or agency has both a "due from" and a "due to" balance with another depository institution. Reciprocal balances between the reporting institution and another depository institution may be reported on a net basis when a right of setoff exists. *See* the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist. Reciprocal balances are to be reported in this item in those cases where the net amount is a net "due from" balance. (When the net amount is a net "due to," the net amount is to be reported in Schedule E, items 2 or 3, as appropriate.) For further information, see the Glossary entry for "reciprocal balances."

For the reporting branch or agency's IBF, report in column B balances due from nonrelated depository institutions in the U.S. For purposes of this item, depository institutions in the U.S. eligible to transact business with an IBF are limited to:

(1) IBFs of nonrelated U.S. banks and of their Edge or Agreement subsidiaries;

(2) IBFs of U.S. branches and agencies of nonrelated foreign banks; and

(3) nonrelated U.S. and foreign banks domiciled in Puerto Rico and in U.S. territories and possessions.

Balances due from such institutions cover all interest-bearing and noninterest-bearing balances whether in the form of demand, savings, or time balances, including certificates of deposit, and should reflect funds on deposit with them for which the IBF has already received credit.

Item 4 Balances due from banks in foreign countries and foreign central banks.

For the reporting branch or agency including its IBF, report balances due from banks in foreign countries and foreign central banks.

Banks in foreign countries include:

(1) foreign-domiciled branches of U.S. banks; and

(2) foreign-domiciled branches of other foreign banks.

See the Glossary entry for "banks, U.S. and foreign" for a description of banks in foreign countries.

For purposes of this item, foreign central banks cover:

(1) central banks in foreign countries;

(2) departments of foreign central governments that have, as an important part of their functions, activities similar to those of a central bank;

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

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

Balances due from banks in foreign countries and foreign central banks cover all interest-bearing and noninterest-bearing balances excluding any balances that the reporting branch or agency holds for trading. Balances, as reported in this item, should reflect funds on deposit at nonrelated banks in foreign countries and at foreign central banks for which the reporting institution has already received credit. Balances with foreign central banks should include all balances with such entities, including reserve, operating, and investment balances.

Reciprocal balances with banks in foreign countries and foreign central banks may be reported on a net basis when a right of setoff exists. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist.

Exclude from item 4:

(1) balances with U.S. branches and agencies of other foreign banks (report in item 3 above);

(2) loans to foreign central banks (report in Schedule C, part I, item 6);

(3) loans to banks in foreign countries (report in Schedule C, part I, item 2(c));

(4) cash items in process of collection and unposted debits (report in item 1 above); and

(5) any balances held for trading (report in Schedule RAL, item 1(f), "Trading assets.")

Item 5 Balances due from Federal Reserve Banks.

Report the total balances due from Federal Reserve Banks as shown by the reporting institution's books. This amount includes required reserve, excess, and clearing balances. Include the amount of reserve balances actually passed through to a Federal Reserve Bank by the reporting institution on behalf of its respondent depository institutions. If the reporting institution is an agent for an excess balance account at a Federal Reserve Bank, the balances in the excess balance account should not be reflected as an asset or a liability on the reporting institution's balance sheet and should not be reported in this item. (See the Glossary entries for "excess balance account" and "pass-through reserve balances.")

Item 6 Total.

Report the sum of items 1 through 5. The amount in column A must agree with item 1(a), column A, of Schedule RAL. The amount in column B must agree with item 1(a), column B, of Schedule RAL.

INSTRUCTIONS FOR THE PREPARATION OF

Loans
Schedule C

Part I. Loans and Leases—General Instructions

Loans (and lease financing receivables) are extensions of credit resulting from either direct negotiation between the bank and its customers or the purchase of such assets from others. See the Glossary entries for "loan," "placements," and "lease accounting" for further information.

The amounts reported in Column A are for the reporting branch or agency, *including* its IBF, and those reported in Column B are for the reporting branch or agency's IBF only. If the reporting branch or agency has *no* IBF, *no* amounts are to be reported in Column B. The shaded items in the IBF column reflect the fact that certain types of assets are not permissible for IBFs (refer to the Glossary entry "International Banking Facility (IBF)" for a further discussion). Unless otherwise specified, the item instructions pertain to both the reporting branch or agency, including its IBF, and the IBF only. At times the instructions may discuss assets that are permissible for the branch or agency but not for the IBF. Report in the IBF column only those permissible IBF assets.

Report the aggregate book value of all loans and leases to nonrelated institutions (including related nondepository institutions) before deduction of any general "Allowance for loan losses," which is to be reflected in Schedule RAL, item 2(a) or 5(a) and is to be reported in Schedule M, Part IV, item 1, but *net* of any specific reserves established for specific loans, or portions thereof, that available information confirms are uncollectible. For institutions that have adopted ASU 2016-13, the allowance for loan losses is the allowance for credit losses on loans and leases. Each item in this schedule should be reported *net* of (1) unearned income (to the extent possible) and (2) deposits accumulated for the payment of personal loans (hypothecated deposits). Net unamortized loan fees represent an adjustment of the loan yield and should be reported in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or from total loans in item 10, "Less: Any unearned income on loans reflected in items 1–8 above," of this schedule. Net unamortized direct loan origination costs should be added to the related loan balances in each item of this schedule. Loans held for sale should be reported at the lower of cost or fair market.

If the bank has elected to apply the fair value option to any loans held for investment or held for sale, it must also report the fair value and unpaid principal balance of these loans in the appropriate subitems of Schedule Q, Memorandum items 3 and 4, respectively.

Exclude all loans and leases held for trading purposes (report in Schedule RAL, item 1(f), "Trading assets"). Also exclude all intrabranch or intraagency transactions and all transactions with related depository institutions. However, include transactions with related *nondepository* institutions. See the Glossary entries for "related institutions" and "transactions with related institutions" for additional discussion.

All loans are classified according to security, borrower, or purpose. Loans covering two or more classifications are sometimes difficult to classify. In such instances, classify the entire loan according to the major criterion.

Report in this schedule all loans that the reporting institution has sold under repurchase agreements that mature in more than one business day. Also report in this schedule all loans and leases on the books of the reporting institution even if on the report date they are past due and collection is doubtful. Exclude any loans or leases the reporting branch or agency has sold or charged off. Also exclude assets received in full or par-

tial satisfaction of a loan or lease (unless the asset received is itself reportable as a loan or lease) and any loans for which the branch or agency has obtained physical possession of the underlying collateral, regardless of whether formal foreclosure or repossession proceedings have been instituted against the borrower.

Refer to the Glossary entry for "transfers of financial assets" for a detailed discussion of this topic.

Exclude, for purposes of this schedule, the following:

(1) all loans of immediately available funds that mature in one business day or roll over under a continuing contract, i.e., federal funds sold (report in Schedule RAL, item 1(d), "Federal funds sold and securities purchased under agreements to resell");

(2) all holdings of commercial paper (report in Schedule RAL, item 1(c), "Other bonds, notes, debentures, and corporate stock," if held for purposes other than trading);

(3) interest earned not collected on loans (report in Schedule RAL, item 1(h), "Other assets including other claims on nonrelated parties");

(4) contracts of sale or other loans indirectly representing other real estate (report in Schedule RAL, item 1(h), "Other assets including other claims on nonrelated parties");

(5) undisbursed loan funds, sometimes referred to as incomplete loans or loans in process, unless the borrower is liable for and pays the interest thereon. If interest is being paid by the borrower on the undisbursed proceeds, the amounts of such undisbursed funds should be included in both loans and deposits;

(6) loan commitments that have not yet been taken down, even if fees have been paid; see Schedule L, item 1; and

(7) loans and leases held for trading (report in Schedule RAL, item 1(f), "Trading assets").

Item Instructions for Part I

Item 1 Loans secured by real estate.

In column A, report in the appropriate subitem all loans secured by real estate. In column B, IBFs are to report all loans secured by real estate. Include all loans (other than those to states and political subdivisions in the U.S.), regardless of purpose and regardless of whether originated by the bank or purchased from others, that are secured by real estate as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages) on real estate. See the Glossary entry for "loans secured by real estate" for the definition of this term.

Include as loans secured by real estate:

(1) Loans secured by residential properties that are guaranteed by the Farmers Home Administration (FmHA) and extended, collected, and serviced by a party other than the FmHA.

(2) Loans secured by properties and guaranteed by governmental entities in foreign countries.

(3) Participations in pools of Federal Housing Administration (FHA) Title I home improvement loans that are secured by liens (generally, junior liens) on residential properties.

Exclude from loans secured by real estate:

(1) Loans to real estate companies, real estate investment trusts, mortgage lenders, and foreign nongovernmental entities that specialize in mortgage loan originations and that service mortgages for other lending institutions when the real estate mortgages or similar liens on real estate are not sold to the branch or agency but are merely pledged as collateral (report in Schedule C, part I, item 2, Loans to depository institutions and acceptances of other banks," or as all other loans in Schedule C, part I, item 8).

(2) Bonds issued by the Federal National Mortgage Association or by the Federal Home Loan Mortgage Corporation that are collateralized by residential mortgages.

(3) Pooled residential mortgages for which participation certificates have been issued or guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation. However, if the reporting branch or agency is the seller-servicer of the residential mortgages backing such securities and, as a result of a

change in circumstances, it must rebook any of these mortgages because one or more of the conditions for sale accounting in ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended by FASB Statement No. 156, "Accounting for Transfers of Financial Assets," FASB Statement No. 166, "Accounting for Transfers of Financial Assets," and certain other standards), are no longer met, the rebooked mortgages should be included in Schedule C, part I, as loans secured by real estate.

Item 1.a Construction, land development, and other land loans.

Report loans secured by real estate made to finance land development (i.e., the process of improving land—laying sewers, water pipes, etc.) preparatory to erecting new structures or the on-site construction of industrial, commercial, residential, or farm buildings. For this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures.

Also include in this item:

(1) Loans secured by vacant land, except land known to be used or usable for agricultural purposes, such as crop and livestock production (which should be reported in Schedule C, part I, item 1.b, below, as loans secured by farmland).

(2) Loans secured by real estate the proceeds of which are to be used to acquire and improve developed and undeveloped property.

(3) Loans made under Title I or Title X of the National Housing Act that conform to the definition of construction stated above and that are secured by real estate.

Exclude loans to finance construction and land development that are not secured by real estate (report in other items of Schedule C, part I, as appropriate).

Item 1.b Secured by farmland.

Report loans secured by farmland and improvements thereon, as evidenced by mortgages or other liens. Farmland includes all land known to be used or usable for agricultural purposes, such as crop and livestock production. Farmland includes grazing or pasture land, whether tillable or not and whether wooded or not. Include loans secured by farmland that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by any party other than FmHA or SBA. Exclude loans for farm property construction and land development purposes (report in Schedule C, part I, item 1.a).

Item 1.c Secured by 1–4 family residential properties.

Report in the appropriate subitem open-end and closed-end loans secured by real estate as evidenced by mortgages (FHA, FmHA, VA, or conventional) or other liens on:

(1) Nonfarm property containing 1-to-4 dwelling units (including vacation homes) or more than four dwelling units if each is separated from other units by dividing walls that extend from ground to roof (e.g., row houses, townhouses, or the like).

(2) Mobile homes where (a) state laws define the purchase or holding of a mobile home as the purchase or holding of real property and where (b) the loan to purchase the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property.

(3) Individual condominium dwelling units and loans secured by an interest in individual cooperative housing units, even if in a building with five or more dwelling units.

(4) Housekeeping dwellings with commercial units combined where use is primarily residential and where only 1-to-4 family dwelling units are involved.

Exclude loans for 1-to-4 family residential property construction and land development purposes (report in Schedule C, part I, item 1.a). Also exclude loans secured by vacant lots in established single-family residential sections or in areas set aside primarily for 1-to-4 family homes (report in Schedule C, part I, item 1.a).

Item 1.c.(1) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit.

Report the amount outstanding under revolving, open-end lines of credit secured by 1-to-4 family residential

properties. These lines of credit, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

Item 1.c.(2) Closed-end loans secured by 1–4 family residential properties.

Report the amount of all closed-end loans secured by 1-to-4 family residential properties (i.e., closed-end first mortgages and junior liens).

Item 1.d Secured by multifamily (5 or more) residential properties.

Report all other nonfarm residential loans secured by real estate as evidenced by mortgages (FHA and conventional) or other liens that are not reportable in Schedule C, part I, item 1.c.

Specifically, include loans on:

(1) Nonfarm properties with 5 or more dwelling units in structures (including apartment buildings and apartment hotels) used primarily to accommodate households on a more or less permanent basis.

(2) 5 or more unit housekeeping dwellings with commercial units combined where use is primarily residential.

(3) Cooperative-type apartment buildings containing 5 or more dwelling units.

Exclude loans for multifamily residential property construction and land development purposes and loans secured by vacant lots in established multifamily residential sections or in areas set aside primarily for multifamily residential properties (report in Schedule C, part I, item 1.a). Also exclude loans secured by nonfarm nonresidential properties (report in Schedule C, part I, item 1.e).

Item 1.e Secured by nonfarm nonresidential properties.

Report loans secured by real estate as evidenced by mortgages or other liens on business and industrial properties, hotels, motels, churches, hospitals, educational and charitable institutions, dormitories, clubs, lodges, association buildings, "homes" for aged persons and orphans, golf courses, recreational facilities, and similar properties.

Exclude loans for nonfarm nonresidential property construction and land development purposes and loans secured by vacant lots in established nonfarm nonresidential sections or in areas set aside primarily for nonfarm nonresidential properties (report in Schedule C, part I, item 1.a).

Item 2 Loans to depository institutions and acceptances of other banks.

For the reporting branch or agency, report in the appropriate subitems all loans (other than those secured by real estate), including overdrafts to banks, other depository institutions, and other associations, companies, and financial intermediaries whose primary business is to accept deposits and to extend credit for business or for personal expenditure purposes and the branch or agency's holdings of all bankers acceptances accepted by other banks that are not held for trading. Acceptances accepted by other banks may be purchased in the open market or discounted by the reporting branch or agency. For further information, see the Glossary entry for "bankers acceptances."

Include as loans to depository institutions and acceptances of other banks:

(1) Loans to depository institutions for the purpose of purchasing or carrying securities.

(2) Loans to depository institutions for which the collateral is a mortgage instrument and not the underlying real property. Report loans to depository institutions where the collateral is the real estate itself, as evidenced by mortgages or similar liens, in item 1.

(3) Purchases of mortgages and other loans under agreements to resell that do not involve the lending of immediately available funds or that mature in more than one business day, if acquired from depository institutions.

(4) Certain participations in pools of loans (other than residential mortgages), if issued by depository institutions. (See the Glossary entry for "transfers of financial assets" for further information.)

(5) The reporting institution's own acceptances discounted and held in its portfolio when the account party is another depository institution.

(6) Loans of immediately available funds to depository institutions that mature in more than one business day, other than security resale agreements (term federal funds sold).

Exclude from loans to depository institutions and acceptances of other banks:

(1) All transactions reportable in Schedule RAL, item 1(d), "Federal funds sold and securities purchased under agreements to resell."

(2) Loans secured by real estate, even if extended to depository institutions (report in item 1).

(3) Loans to holding companies of depository institutions (report as all other loans in item 3 or item 8, as appropriate).

(4) Loans to real estate investment trusts and to mortgage companies that specialize in mortgage loan originations and warehousing or in mortgage loan servicing (report as all other loans in item 3).

(5) Loans to finance companies and insurance companies (report as all other loans in item 3).

(6) Loans to brokers and dealers in securities, investment companies, and mutual funds (report as loans for purchasing or carrying securities in item 7).

(7) Loans to Small Business Investment Companies (report as all other loans in item 8).

(8) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities (as described in Federal Reserve Regulation U) and loans to "plan lenders" (as defined in Federal Reserve Regulation G) (report as loans for purchasing or carrying securities in item 7).

(9) Loans to federally-sponsored lending agencies (report as all other loans in item 8). Refer to the Glossary entry for "federally-sponsored lending agency" for the definition of this term.

(10) Loans to any related depository institutions (report in Schedule M).

(11) Loans secured by production payments (e.g., shares in future oil or mining production) (to be reported in item 4, "Commercial and industrial loans").

(12) Acceptances accepted by the reporting branch or agency, discounted, and held in its portfolio, when the account party is not another depository institution. Such acceptances are reported in other items of Schedule C according to the account party.

Item 2(a) To commercial banks in the U.S. (including IBFs).

Report this item broken down between loans to and acceptances of U.S. branches and agencies of other foreign banks (item 2(a)(1)) and loans to and acceptances of other commercial banks in the U.S. (item 2(a)(2)).

Commercial banks in the U.S. covers:

(1) U.S. branches and agencies of other foreign banks; and

(2) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks and all nonrelated international banking facilities (IBFs).

Refer to the Glossary entry for "banks, U.S. and foreign" and "international banking facility (IBF)" for further discussion of these terms.

Loans to and acceptances of commercial banks in the U.S. include all loans and all other instruments evidencing loans to operating commercial banks and their branches in the U.S., including their IBFs. Loans to and acceptances of U.S.-chartered banks that are owned by foreign banks or by foreign official banking institutions should be included in item 2(a)(2), "Loans to other commercial banks in the U.S."

Exclude from items 2(a)(1) and 2(a)(2) loans to other depository institutions such as mutual savings banks, savings and loan associations, and credit unions (report in item 2(b) below).

Item 2(a)(1) To U.S. branches and agencies of other foreign banks.

For the reporting branch or agency, report in column A all loans to and acceptances of U.S. branches and agencies of other (nonrelated) foreign banks located in the 50 states of the U.S., the District of

Columbia, Puerto Rico, and U.S. territories and possessions.

For purposes of this schedule, 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.

NOTE: For its IBF, report in column B loans to IBFs of nonrelated U.S. branches and agencies of foreign banks, and to nonrelated U.S. branches and agencies of foreign banks domiciled in Puerto Rico and in the U.S. territories and possessions.

Item 2(a)(2) To other commercial banks in the U.S.

For the reporting branch or agency, report in column A all loans to and acceptances of commercial banks in the U.S. and to their IBFs, other than U.S. branches and agencies of other foreign banks.

NOTE: For its IBF, report in column B (and include in column A) all loans to IBFs of nonrelated commercial banks domiciled in the U.S., other than U.S. branches and agencies of foreign banks (report in item 2(a)(1) above), and to nonrelated U.S. and foreign banks domiciled in Puerto Rico and in the U.S. territories and possessions.

Item 2(b) To other depository institutions in the U.S.

Report only in column A those loans of the reporting branch or agency to the following depository institutions, other than commercial banks, domiciled in the U.S.:

(1) credit unions;

(2) mutual or stock savings banks;

(3) savings or building and loan associations;

(4) cooperative banks;

(5) industrial banks; and

(6) other similar depository institutions.

Exclude from loans to other depository institutions in the U.S.:

(1) All transactions reportable in Schedule RAL, item 1(d), "Federal funds sold and securities purchased under agreements to resell."

(2) Loans to and acceptances of commercial banks (including IBFs) in the U.S. (report in item 2(a) above).

(3) Loans to brokers and dealers in securities and loans to investment trusts of the mutual fund or the closed-end types that hold stock for investment purposes (to be reported in item 7, "Loans for purchasing or carrying securities").

NOTE: In the IBF column, report loans extended to IBFs of nonrelated depository institutions, mentioned above, that are domiciled in the U.S., and to the nonrelated depository institutions mentioned above domiciled in Puerto Rico and the U.S. territories and possessions.

Item 2(c) To banks in foreign countries.

Report this item broken down between loans to and acceptances of foreign branches of U.S. banks (item 2(c)(1)) and loans to and acceptances of other banks in foreign countries (item 2(c)(2)).

Banks in foreign countries cover:

(1) *foreign-domiciled* branches of U.S. banks; and

(2) *foreign-domiciled* non-U.S. banks, including foreign commercial banks, savings banks, discount houses, and other similar foreign institutions.

See the Glossary entry for "banks, U.S. and foreign" for further discussion of these terms.

Loans to banks in foreign countries include all loans (including overdrafts) and all other instruments that represent loans to operating banks and their branches domiciled outside the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions.

Exclude from items 2(c)(1) and 2(c)(2):

(1) Loans to U.S. branches and agencies of foreign banks (report in item 2(a) above).

(2) Dollar exchange acceptances accepted by foreign governments and official institutions (report in item 6).

(3) Loans to foreign governments and official institutions, including foreign central banks (report in item 6). See the Glossary entry for "foreign governments and official institutions" for the definition of this term.

(4) Loans to related banks in foreign countries (report in Schedule M).

Item 2(c)(1) To foreign branches of U.S. banks.
Report in columns A and B, as appropriate, all loans to and acceptances of foreign branches of U.S.-chartered banks, including loans to "shell" branches such as those in the Bahamas and Cayman Islands.

Item 2(c)(2) To other banks in foreign countries.
Report in columns A and B, as appropriate, all loans to and acceptances of banks in foreign countries, other than foreign-domiciled branches of other U.S. banks and any banks related to the reporting institution. Include loans to and acceptances of foreign-domiciled banking subsidiaries of U.S. banks.

Item 3 Loans to other financial institutions.
Report in this item loans to nonbank financial institutions, associations, companies, and financial intermediaries whose primary business is to extend credit for business purposes or for financing personal expenditures. Include those loans for which the collateral is the mortgage instrument, not the real estate property. Those loans where the collateral is the real estate itself, as evidenced by mortgages or similar liens, are to be reported in item 1.

For the reporting branch or agency, including its IBF, and for the IBF only (where applicable), *include* extensions of credit, as defined, to the following financial institutions:

(1) Investment banks.

(2) Real estate investment trust (REITs) and mortgage companies that specialize in mortgage loan originations and warehousing and that service mortgages for other lending institutions. Include unsecured loans, loans secured by mortgage instruments, and loans secured by any other collateral except real estate. (Loans secured by real estate are to be reported in item 1 above.)

(3) Finance companies and foreign mortgage finance companies. Include both direct loans and marketable instruments of finance companies purchased either directly from the issuing companies or from commercial paper dealers. Include such loans to the following institutions:

   (a) factors and other financial intermediaries,

   (b) short-term business credit institutions that extend credit to finance inventories or to carry accounts receivable, and

   (c) institutions whose functions are predominantly to finance personal expenditures.

(4) Bank holding companies.

(5) Insurance companies.

(6) Other domestic and foreign financial intermediaries (excluding those institutions included in item 2 above) whose functions are predominantly extensions of credit for business purposes, such as investment companies that hold stock of operating companies for management or development purposes.

Exclude, for purposes of the reporting branch or agency, including its IBF:

(1) All transactions that are included in Schedule RAL, item 1(d), "Federal funds sold and securities purchased under agreements to resell."

(2) Loans to brokers and dealers in securities and loans to investment trusts of the mutual fund or the closed-end types that hold stock for investment purposes. These should be reported against item 7, "Loans for purchasing or carrying securities."

(3) Loans to financial corporations whose sole function is to borrow money and relend it to its affiliated companies or a corporate joint venture in which an affiliated company is a joint venturer.

Item 4 Commercial and industrial loans.
For the reporting branch or agency, report in the appropriate subitem loans for commercial and industrial purposes to sole proprietorships, partnerships,

corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment. These loans may take the form of direct or purchased loans. Include the reporting institution's own acceptances that it holds in its portfolio when the account party is a commercial or industrial enterprise. Also include loans to individuals for commercial, industrial, and professional purposes but not for investment or personal expenditure purposes.

Include loans of the types listed below. These descriptions may overlap and are not all inclusive.

(1) Loans for commercial, industrial, and professional purposes to:

(a) mining, oil- and gas-producing, and quarrying companies;

(b) manufacturing companies of all kinds, including those which process agricultural commodities;

(c) construction companies;

(d) transportation and communications companies and public utilities;

(e) wholesale and retail trade enterprises and other dealers in commodities;

(f) cooperative associations including farmers' cooperatives;

(g) service enterprises such as hotels, motels, laundries, automotive service stations, and nursing homes and hospitals operated for profit;

(h) insurance agents; and

(i) practitioners of law, medicine, and public accounting.

(2) Loans for the purpose of financing capital expenditures and current operations.

(3) Loans to business enterprises guaranteed by the Small Business Administration.

(4) Loans to farmers for commercial and industrial purposes (when farmers operate a business enterprise as well as a farm).

(5) Loans supported by letters of commitment from the Agency for International Development.

(6) Loans made to finance construction that are not secured by real estate.

(7) Loans to merchants or dealers on their own promissory notes secured by the pledge of their own installment paper.

(8) Loans extended under credit cards and related plans that are readily identifiable as being issued in the name of a commercial or industrial enterprise.

(9) Dealer flooring or floor-plan loans.

(10) Loans collateralized by production payments (e.g., oil or mining production payments). Treat as a loan to the original seller of the production payment rather than to the holder of the production payment. For example, report in this item, as a loan to an oil company, a loan made to a nonprofit organization collateralized by an oil production payment; do *not* include in item 8 as a loan to the nonprofit organization.

(11) Loans and participations in loans secured by conditional sales contracts made to finance the purchase of commercial transportation equipment.

(12) Commercial and industrial loans guaranteed by foreign governmental institutions.

Exclude from commercial and industrial loans:

(1) Loans secured by real estate, even if for commercial and industrial purposes (report in item 1).

(2) Loans to depository institutions (report in item 2).

(3) Loans to nondepository financial institutions such as real estate investment trusts, mortgage companies, and insurance companies (report as loans to other financial institutions in item 3).

(4) Loans for the purpose of purchasing or carrying securities (report in item 7).

(5) Loans for the purpose of financing agricultural production, whether made to farmers or to nonagricultural businesses (report in item 8).

(6) Loans to nonprofit organizations, such as hospitals or educational institutions (report as all other loans in item 8), *except* those for which oil or min-

ing production payments serve as collateral which are to be reported in this item.

(7) Holdings of acceptances accepted by other banks (report in item 2).

(8) Holdings of own acceptances when the account party is another bank (report in item 2) or a foreign government or official institution (report in item 6).

(9) Equipment trust certificates (report in Schedule RAL, item 1(c)(4)).

(10) Any commercial and industrial loans held for trading purposes (report on Schedule RAL, item 1(f), "Trading assets").

Item 4(a) To U.S. addressees (domicile).

Report all commercial and industrial loans to U.S. addressees. For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for "domicile."

NOTE: In the IBF column, report all commercial and industrial loans made to businesses located in Puerto Rico and the U.S. territories and possessions.

Item 4(b) To non-U.S. addressees (domicile).

For the reporting branch or agency, including its IBF, report all commercial and industrial loans to non-U.S. addressees. For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for "domicile." For the branch or agency only, include all commercial and industrial loans to U.S. addresses that have since moved or relocated outside the 50 states of the United States, the District of Columbia, Puerto Rico, and the U.S. territories and possessions.

NOTE: Report in the IBF column all commercial and industrial loans made to businesses located in foreign countries.

Item 5 Not applicable.

Item 6 Loans to foreign governments and official institutions (including foreign central banks).

Report all loans (other than those secured by real estate), including planned and unplanned overdrafts, to governments in foreign countries, to their official institutions, and to international and regional institutions. *Include* bankers acceptances accepted by the reporting bank and held in its portfolio when the account party is a foreign government or official institution, including such acceptances for the purpose of financing dollar exchange. See the Glossary entry for "foreign governments and official institutions" for the definition of this term.

Exclude from loans to foreign governments and official institutions:

(1) Loans to nationalized banks and other banking institutions owned by foreign governments and not functioning as central banks, banks of issue, or development banks (report in the appropriate subitem of item 2 above).

(2) Loans to U.S. branches and agencies of foreign official banking institutions (report as a loan to a commercial bank in the U.S. in item 2(a)(1)).

(3) Loans to foreign-government-owned nonbank corporations and enterprises (report in item 3, 4, or 8 as appropriate).

Item 7 Loans for purchasing or carrying securities (secured and unsecured).

Report all loans extended by the reporting branch or agency, or by the IBF only for the purpose of purchasing or carrying securities.

Loans for purchasing or carrying securities include:

(1) *All* loans to brokers and dealers in securities (other than those secured by real estate and those to depository institutions).

(2) All loans, whether secured (other than by real estate) or unsecured, to any other borrower (except related depository institutions, which are reported in Schedule M) for the purpose of purchasing or carrying securities (debt or equity), such as:

(a) Loans made to provide funds to pay for the purchase of securities at settlement date.

(b) Loans made to provide funds to repay indebtedness incurred in purchasing securities.

(c) Loans that represent the renewal of loans to purchase or carry securities.

(d) Loans to investment companies and mutual funds, but *excluding* loans to Small Business Investment Companies (reported in item 8).

(e) Loans to "plan lenders" as defined in Section 221.4(a) of Federal Reserve Regulation U.

(f) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities.

but excluding loans to finance an acquirer's purchase of the stock of another entity in a merger or acquisition that meets the definition of a business combination under U.S. generally accepted accounting principles (and which may include funds to cover acquisition-related costs incurred to effect the business combination).

For purposes of the FFIEC 002, the purpose of a loan collateralized by "stock" is determined as follows:

- For loans that are collateralized in whole or in part by "margin stock," as defined by Federal Reserve Regulation U, the purpose of the loan is determined by the latest Statement of Purpose (Form FR U-1) on file.
- For loans that are collateralized by "stock" other than "margin stock," the bank may determine the purpose of the loan according to the most current information available.

Exclude from loans for purchasing or carrying securities:

(1) Loans to nonrelated banks in foreign countries that act as brokers and dealers in securities (report in item 2(c)).

(2) Loans to depository institutions (other than related depository institutions reported in Schedule M) for the purpose of purchasing or carrying securities (report in subitems of item 2, as appropriate).

(3) Transactions reportable in Schedule RAL, item 1(d), "Federal funds sold and securities purchased under agreements to resell."

(4) Loans secured by real estate (report in item 1).

Item 8 All other loans.

For the reporting branch or agency, including its IBF, and for the IBF only, report in the appropriate column all loans and discounts (other than loans for purchasing or carrying securities) that cannot properly be reported in one of the preceding items in this schedule, such as:

(1) Unplanned overdrafts to deposit accounts (except overdrafts of depository institutions and foreign governments and official institutions, which are to be reported in items 2 and 6 above, respectively, or Schedule M if of related depository institutions).

(2) Loans (other than those secured by real estate) to nonprofit organizations (e.g., churches, hospitals, educational and charitable institutions, clubs, and similar associations) *except* those collateralized by production payments where the proceeds ultimately go to a commercial or industrial organization (report in item 4).

(3) Loans to individuals for investment or personal expenditure purposes (as distinct from commercial, industrial, or professional purposes), other than those secured by real estate.

(4) Loans to finance agricultural production, whether made to farmers or to nonagricultural businesses, and other loans to farmers except those secured by real estate (report in item 1).

(5) Loans and advances made to the reporting institution's own trust department.

(6) Loans to Small Business Investment Companies.

(7) Obligations (other than securities and leases) of states and political subdivisions in the U.S. Report here obligations of states and political subdivisions in the United States (including planned and unplanned overdrafts and obligations secured by real estate), other than those obligations reported as securities issued by such entities in Schedule RAL, item 1(c)(4), and (b) as lease financing receivables of states and political subdivisions in the U.S. in Schedule C, part I, item 9. Exclude all such obligations held for trading purposes.

States and political subdivisions in the U.S. include:

(a) the fifty states of the United States and the District of Columbia and their counties, municipalities, school districts, irrigation districts, and drainage and sewer districts; and

(b) the governments of Puerto Rico and of the U.S. territories and possessions and their political subdivisions.

Treatment of industrial development bonds (IDBs). Industrial development bonds (IDBs), sometimes referred to as "industrial revenue bonds," are typically issued by local industrial development authorities to benefit private commercial and industrial development. For purposes of this report, all IDBs should be reported as securities issued by states and political subdivisions in the U.S. in Schedule RAL, item 1(c)(4), or as loans in this item, consistent with the asset category in which the branch or agency reports IDBs for other financial reporting purposes. Regardless of whether they are reported as securities in Schedule RAL, item 1(c)(4), or as loans in this item, all IDBs that meet the definition of a "security" in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), must be measured in accordance with ASC Topic 320.

Treatment of other obligations of states and political subdivisions in the U.S. In addition to those IDBs that are reported in this item in accordance with the preceding paragraph, *include* as obligations (other than securities and leases) of states and political subdivisions in the U.S., all other obligations *except* those that meet *any* of the following criteria:

(a) Industrial development bonds (IDBs) that are reported as securities in accordance with the reporting treatment described above (report as securities in Schedule RAL, item 1(c)(4)).

(b) Notes, bonds, and debentures (including tax warrants and tax-anticipation notes) that are rated by a nationally-recognized rating service (report as securities in Schedule RAL, item 1(c)(4)).

(c) Mortgage-backed securities issued by state and local housing authorities (report as securities in Schedule RAL, item 1(c)(2)).

(d) Obligations of state and local governments that are guaranteed by the U.S. government (report as securities in Schedule RAL, item 1(c)(4)).

(e) Nonrated obligations of states and political subdivisions in the U.S. that the reporting institution considers securities for other financial reporting purposes (report as securities in Schedule RAL, item 1(c)(4)).

(f) Lease financing receivables of states and political subdivisions in the U.S. (report as leases in item 9 below).

(g) Obligations of states and political subdivisions in the U.S. held in trading accounts (report in Schedule RAL, item 1(f)).

(8) Loans to federally-sponsored lending agencies. Refer to the Glossary entry for "federally-sponsored lending agency" for the definition of this term.

Exclude from all other loans extensions of credit initially made in the form of planned or "advance agreement" overdrafts other than those made to borrowers of the types whose obligations are specifically reportable in this item (report in other items, as appropriate). For example, report advances to banks in foreign countries in the form of "advance agreement" overdrafts as loans to banks in foreign countries in item 2(c). Report both planned and unplanned overdrafts on "due to" deposit accounts of depository institutions in item 2.

Item 9 Lease financing receivables (net of unearned income).

For the reporting branch or agency, including its IBF, and for the IBF only, report in the appropriate column all lease financing receivables of U.S. addressees (item 9(a)) and all lease financing receivables of non-U.S. addressees (item 9(b)). Include all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the branch or agency for leasing purposes. These balances should

include the estimated residual value of leased property and *must* be net of unearned income. For further discussion of leases where the branch or agency is the lessor, refer to the Glossary entry for "lease accounting."

Include all lease financing receivables of states and political subdivisions in the U.S.

Item 9(a) Of U.S. addressees (domicile).
Report all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the branch or agency for leasing to U.S. addressees (see the Glossary entry for "domicile").

Item 9(b) Of non-U.S. addressees (domicile)
Report all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the branch or agency for leasing to non-U.S. addressees (see the Glossary entry for "domicile").

Item 10 LESS: Any unearned income on loans reflected in items 1–8 above.
To the extent possible, report the specific loan categories net of unearned income. A reporting institution (including its IBF) should enter here unearned income only to the extent that it is included in (i.e., *not* deducted from) the various loan items (items 1 through 8) of this schedule. If a reporting institution reports each loan item net of unearned income, enter a zero. (Unearned income includes income received but not yet earned, such as prepaid interest and the unamortized portion of loan origination fees.)

Do *not* include unearned income on lease financing receivables in this item (deduct from Schedule C, part I, item 9).

Item 11 Total loans and leases held for investment and held for sale.
Report the sum of items 1 through 9 less the amount reported in item 10. The amounts in columns A and B must equal Schedule RAL, item 1(e), columns A and B, respectively.

Memoranda

Item M1 and M2 Not applicable.

Item M3 Commercial and industrial loans with remaining maturity of one year or less (excluding those in nonaccrual status).
Report in the proper subitems below the amount outstanding on report date of commercial and industrial loans (sum of items 4(a) and 4(b) of this schedule, column A) which have a remaining maturity *(from the report date until the final contractual maturity date)* of one year or less. Demand loans, loans with no stated repayment schedule and no stated maturity, and overdrafts should be considered as having at maturity of one year or less and included here. All other commercial and industrial loans with remaining maturity of more than one year are reported in Memorandum item 4 below. Exclude those loans and leases that are reported as nonaccrual in Schedule N, column C.

Item M3(a) With predetermined interest rates.
Report in this item those commercial and industrial loans with a remaining maturity of one year or less with fixed or predetermined interest rates. A predetermined interest rate is a rate that changes during the term of the loan on a predetermined basis, with the exact rate of interest over the life of the loan known with certainty to both the borrower and the lender when the loan (or instrument) is acquired.

Item M3(b) With floating interest rates.
Report in this item those commercial and industrial loans with a remaining maturity of one year or less with floating or adjustable interest rates. A floating or adjustable interest rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the branch or agency's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the loan (or instrument) carries at any subsequent time cannot be known at the time of origination. All demand loans should be considered to have a floating interest rate, for purposes of this report.

Item M4 Commercial and industrial loans with remaining maturity of more than one year (excluding those in nonaccrual status).

Report in the proper subitems below the amount outstanding on the report date of commercial and industrial loans (the sum of items 4(a) and 4(b) of this schedule, column A) which have a remaining maturity *(from the report date until the final contractual maturity date)* of more than one year. Exclude demand loans, loans with no stated repayment schedule and no stated maturity, and overdrafts, which should be reported in Memorandum item 3 above. Exclude those loans and leases that are reported as nonaccrual in Schedule N, column C.

Item M4(a) With predetermined interest rates.

Report in this item those commercial and industrial loans with remaining maturity of more than one year with fixed or predetermined interest rates. The definition of this type of rate is found in Memorandum item 3(a) above.

Item M4(b) With floating interest rates.

Report in this item those commercial and industrial loans with a remaining maturity of more than one year with floating interest rates. The definition of this type of rate is found in Memorandum item 3(b) above.

Part II. Loans to Small Businesses and Small Farms—General Instructions

Schedule C, part II, is to be completed only as of the June 30 report date by branches whose deposits are insured by the FDIC.

Schedule C, part II, requests information on the number and amount currently outstanding of "loans to small businesses" and "loans to small farms," as defined below. This information is being collected pursuant to Section 122 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

For purposes of this schedule, *"loans to small businesses"* consist of the following:

(1) Loans secured by nonfarm nonresidential properties (excluding those held in the branch's IBF) with original amounts of $1 million or less that have been reported in Schedule C, part I, item 1, column A, "Loans secured by real estate," and

(2) Loans (excluding those held in the branch's IBF) with original amounts of $1 million or less that have been reported in Schedule C, part I, item 4(a), column A, "Commercial and industrial loans to U.S. addressees."

For purposes of this schedule, *"loans to small farms"* consist of the following:

(1) Loans secured by farmland (including farm residential and other improvements) (excluding those held in the branch's IBF) with original amounts of $500,000 or less that have been reported in Schedule C, part I, item 1, column A, "Loans secured by real estate," and

(2) Loans to finance agricultural production and other loans to farmers (excluding those held in the branch's IBF) with original amounts of $500,000 or less that have been reported in Schedule C, part I, item 8, column A, "All other loans."

The following guidelines should be used to determine the "original amount" of a loan:

(1) For loans drawn down under lines of credit or loan commitments, the "original amount" of the loan is the size of the line of credit or loan commitment when the line of credit or loan commitment was *most recently* approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the "original amount" is the amount currently outstanding on the report date.

(2) For loan participations and syndications, the "original amount" of the loan participation or syndication is the entire amount of the credit originated by the lead lender.

(3) For all other loans, the "original amount" is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

The "amount currently outstanding" for a loan is its carrying value, i.e., the amount at which the loan is reported in Schedule C, part I, items 1, 4(a), or 8, above.

Except as noted below for "corporate" or "business" credit card programs, when determining "original amounts" and reporting the number and amount cur-

rently outstanding for a category of loans in this part II, multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the branch's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

A branch that offers "corporate" or "business" credit card programs under which credit cards are issued to one or more of a company's employees for business-related use should treat each company's program as a single extension of credit to that company. The credit limits for all of the individual credit cards issued to the company's employees should be totaled and this total should be treated as the "original amount" of the "corporate" or "business" credit card program established for this company. The company's program should be reported as *one* loan and the amount currently outstanding would be the sum of the credit card balances as of the June 30 report date on each of the individual credit cards issued to the company's employees. However, when aggregated data for each individual company in a "corporate" or "business" credit card program are not readily determinable from the branch's credit card records, the branch should develop reasonable estimates of the number of "corporate" or "business" credit card programs in existence as of the June 30 report date, the "original amounts" of these programs, and the "amounts currently outstanding" for these programs and should then report information about these programs on the basis of its reasonable estimates. In no case should the individual credit cards issued to a company's employees under a "corporate" or "business" credit card program be reported as separate individual loans to small businesses.

Item Instructions for Part II

Loans to Small Businesses

Item 1 Not applicable.

Item 2 Number and amount currently outstanding of "Loans secured by nonfarm nonresidential properties" (excluding those held in the branch's IBF) reported in Schedule C, part I, item 1, column A, "Loans secured by real estate."

See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the branch's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

The sum of the amounts currently outstanding reported in items 2(a) through 2(c), column B, must be less than or equal to Schedule C, part I, item 1, column A minus column B.

Item 2(a) With original amounts of $100,000 or less.

Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (excluding those held in the branch's IBF) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by nonfarm nonresidential properties" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (excluding those held in the branch's IBF) with "original amounts" of $100,000 or less). Report this number in column A.

Item 2(b) With original amounts of more than $100,000 through $250,000.

Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (excluding those held in the branch's IBF) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by nonfarm nonresidential properties" whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (excluding those held in the branch's IBF) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

Item 2(c) With original amounts of more than $250,000 through $1,000,000.

Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (excluding those held in the branch's IBF) with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do *not* add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by nonfarm nonresidential properties" (excluding those held in the branch's IBF) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (excluding those held in the branch's IBF) with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.

Item 3 Number and amount currently outstanding of "Commercial and industrial loans to U.S. addressees" (excluding those held in the branch's IBF) reported in Schedule C, part I, item 4(a), column A.

See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the branch's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

The sum of the amounts currently outstanding reported in items 3(a) through 3(c), column B, must be less than or equal to Schedule C, part I, item 4(a), column A minus column B.

Item 3(a) With original amounts of $100,000 or less.

Add up the total carrying value of all currently outstanding "Commercial and industrial loans to U.S. addressees" (excluding those held in the branch's IBF) with "original amounts" of $100,000 or less and report this total amount in column B. Do *not* add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Commercial and industrial loans to U.S. addressees" (excluding those held in the branch's IBF) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans to U.S. addressees" (excluding those held in the branch's IBF) with "original amounts" of $100,000 or less). Report this number in column A.

Item 3(b) With original amounts of more than $100,000 through $250,000.

Add up the total carrying value of all currently outstanding "Commercial and industrial loans to U.S. addressees" (excluding those held in the branch's IBF) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do *not* add up the "original amounts" of each

of these loans and report the total original amount in column B.

Count the number of individual "Commercial and industrial loans to U.S. addressees" (excluding those held in the branch's IBF) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans to U.S. addressees" (excluding those held in the branch's IBF) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

Item 3(c) With original amounts of more than $250,000 through $1,000,000.

Add up the total carrying value of all currently outstanding "Commercial and industrial loans to U.S. addressees" (excluding those held in the branch's IBF) with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do *not* add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Commercial and industrial loans to U.S. addressees" (excluding those held in the branch's IBF) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans to U.S. addressees" (excluding those held in the branch's IBF) with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.

Item 4 Number and amount currently outstanding of "Loans secured by farmland (including farm residential and other improvements)" (excluding those held in the branch's IBF) reported in Schedule C, part I, item 1, column A, "Loans secured by real estate."

See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the branch's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

The sum of the amounts currently outstanding reported in items 4(a) through 4(c), column B, must be less than or equal to Schedule C, part I, item 1, column A minus column B. In addition, the sum of the amounts currently outstanding reported in items 2(a) through 2(c), column B, and items 4(a) through 4(c), column B, must be less than or equal to Schedule C, part I, item 1, column A minus column B.

Item 4(a) With original amounts of $100,000 or less.

Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" (excluding those held in the branch's IBF) with "original amounts" of $100,000 or less and report this total amount in column B. Do *not* add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" (excluding those held in the branch's IBF) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (excluding those held in the branch's IBF) with "original amounts" of $100,000 or less). Report this number in column A.

Item 4(b) With original amounts of more than $100,000 through $250,000.

Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" (excluding those held in the branch's IBF) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do *not* add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" (excluding those held in the branch's IBF) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (excluding those held in the branch's IBF) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

Item 4(c) With original amounts of more than $250,000 through $500,000.

Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" (excluding those held in the branch's IBF) with "original amounts" of more than $250,000 through $500,000 and report this total amount in column B. Do *not* add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" (excluding those held in the branch's IBF) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (excluding those held in the branch's IBF) with "original amounts" of more than $250,000 through $500,000). Report this number in column A.

Item M5 Number and amount currently outstanding of "Loans to finance agricultural production and other loans to farmers" (excluding those held in the branch's IBF) reported in Schedule C, part I, item 8, column A, "All other loans."

See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the branch's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

The sum of the amounts currently outstanding reported in items 5(a) through 5(c), column B, must be less than or equal to Schedule C, part I, item 8, column A minus column B.

Item M5(a) With original amounts of $100,000 or less.

Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (excluding those held in the branch's IBF) with "original amounts" of $100,000 or less and report this total amount in column B. Do *not* add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans to finance agricultural production and other loans to farmers" (excluding those held in the branch's IBF) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (excluding those held in the branch's IBF) with "original amounts" of $100,000 or less). Report this number in column A.

Item M5(b) With original amounts of more than $100,000 through $250,000.

Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (excluding those held in the branch's IBF) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do *not* add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans to finance agricultural production and other loans to farmers" (excluding those held in the branch's IBF) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (excluding those held in the branch's IBF) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

Item M5(c) With original amounts of more than $250,000 through $500,000.

Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (excluding those held in the branch's IBF) with "original amounts" of more than $250,000 through $500,000 and report this total amount in column B. Do *not* add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans to finance agricultural production and other loans to farmers" (excluding those held in the branch's IBF) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (excluding those held in the branch's IBF) with "original amounts" of more than $250,000 through $500,000). Report this number in column A.

Examples of Reporting in Schedule C, Part II

(1) A branch has a "Loan secured by nonfarm nonresidential property" (not held in its IBF) which has a carrying value on the June 30 report date of $70,000 and this amount is included in Schedule C, part I, item 1, column A. The branch made this loan to the borrower in the original amount of $75,000, so it would be considered a "loan to a small business" and would be reported in Schedule C, part II. Because the original amount of the loan is $100,000 or less, the branch would report the $70,000 amount currently outstanding in part II, item 2(a), column B.

(2) The branch has a second "Loan secured by nonfarm nonresidential property" (not held in its IBF) which has a carrying value on the June 30 report date of $60,000 and this amount is included in Schedule C, part I, item 1, column A. The branch made this loan to the borrower in the original amount of $125,000, so it would be considered a "loan to a small business" and would be reported in Schedule C, part II. Because the original amount of the loan falls within the more than $100,000 through $250,000 range, the branch would report the $60,000 amount currently outstanding in part II, item 2(b), column B.

(3) The branch has a "Commercial and industrial loan to a U.S. addressee" (not held in its IBF) which has a carrying value on the June 30 report date of $200,000 and this amount is included in Schedule C, part I, item 4(a), column A. The branch made this loan to the borrower in the original amount of $250,000, so it would be considered a "loan to a small business" and would be reported in Schedule C, part II. Because the original amount of the loan is exactly $250,000 which is the upper end of the more than $100,000 through $250,000 range, the branch would report the $200,000 amount currently outstanding in part II, item 3(b), column B.

(4) The branch has a second "Commercial and industrial loan to a U.S. addressee" (not held in its IBF) which has a carrying value on the June 30 report date of $90,000 and this amount is included in Schedule C, part I, item 4(a), column A. The branch made this loan to the borrower in the original amount of $500,000 and sold loan participations for $400,000 while retaining $100,000. Nevertheless, based on the entire amount of the credit that was originated by the branch, the loan would be considered a "loan to a small business" and would be reported in Schedule C, part II. Because the original amount of the entire loan is $500,000 which falls within the more than $250,000 through $1,000,000 range, the branch would report the $90,000 amount currently outstanding in part II, item 3(c), column B.

(5) The branch has a third "Commercial and industrial loan to a U.S. addressee" (not held in its IBF) which has a carrying value on the June 30 report date of $55,000 and this amount is included in Schedule C, part I, item 4(a), column A. This loan represents a participation purchased by the branch from another lender. The original amount of the entire credit is $750,000 and the branch's original share of this credit was $75,000. Based on the entire amount of the credit that was originated by the other lender, the loan would be considered a "loan to a small business" and would be reported in Schedule C, part II. Because the original amount of the entire credit is $750,000 which falls within the more than $250,000 through $1,000,000 range, the branch would report the $55,000 amount currently outstanding in part II, item 3(c), column B.

(6) The branch has another "Commercial and industrial loan to a U.S. addressee" (not held in its IBF) and it has a carrying value on the June 30 report date of $120,000. This amount is included in Schedule C, part I, item 4(a), column A. This loan represents a participation purchased by the branch from another lender. The original amount of the entire credit is $1,250,000 and the branch's

original share of this credit was $250,000. Because the original amount of the entire credit exceeds $1,000,000, the loan would *not* be considered a "loan to a small business" and would *not* be reported in Schedule C, part II.

(7) The branch has a "Loan secured by nonfarm nonresidential property" (not held in its IBF) and a "Commercial and industrial loan to a U.S. addressee" (not held in its IBF) to the same borrower. The first loan has a carrying value on the June 30 report date of $375,000 and this amount is included in Schedule C, part I, item 1, column A. This "Loan secured by nonfarm nonresidential property" was made in the original amount of $400,000. The second loan has a carrying value on the June 30 report date of $650,000 and this amount is included in Schedule C, part I, item 4(a), column A. This "Commercial and industrial loan to a U.S. addressee" was made in the original amount of $750,000.

Case I: The branch's loan system *can provide* aggregate individual borrower data without undue cost to the reporting institution. The loan system indicates that this borrower's two loans have a combined original amount of $1,150,000 and therefore the loans would *not* be considered "loans to a small business" and would *not* be reported in Schedule C, part II.

Case II: The branch's loan system *cannot provide* aggregate individual borrower data without undue cost to the reporting institution. Therefore, the borrower's two loans would be treated as separate loans for purposes of Schedule C, part II. Based on its $400,000 original amount, the "Loan secured by nonfarm nonresidential property" would be considered a "loan to a small business" and would be reported in Schedule C, part II. Because the original amount of the loan falls within the more than $250,000 through $1,000,000 range, the branch would report the $375,000 amount currently outstanding in part II, item 2(c), column B, and count this loan as *one* loan for purposes of part II, item 2(c), column A. Since the "Commercial and industrial loan to a U.S. addressee" is being handled separately and its original amount is $750,000, it would also be considered a "loan to a small business" and would be reported in Schedule C, part II. Because the original amount of this loan falls within the more than $250,000 through $1,000,000 range, the branch would report the $650,000 amount currently outstanding in part II, item 3(c), column B, and count this loan as *one* loan for purposes of part II, item 3(c), column A.

(8) The branch has a "Loan secured by farmland (including farm residential and other improvements)" (not held in its IBF) which has a carrying value on the June 30 report date of $225,000. The branch made this loan to the borrower in the original amount of $260,000 and the loan is secured by a first lien on the borrower's farmland. The branch has a second "Loan secured by farmland" (not held in its IBF) to this same borrower and it is secured by a second lien on the borrower's property. This second lien loan has a carrying value of $50,000 and the original amount of the loan is the same as its carrying value. The carrying values of both loans (the $225,000 first lien loan and the $50,000 second lien loan) are included in Schedule C, part I, item 1, column A.

Case I: The branch's loan system *can provide* aggregate individual borrower data without undue cost to the reporting institution. The loan system indicates that this borrower's two loans have a combined original amount of $310,000 and therefore the two loans together would be considered a single "loan to a small farm" and would be reported in Schedule C, part II. Because the original amount of the two combined loans falls within the more than $250,000 through $500,000 range, the branch would report the $275,000 combined total of the amounts currently outstanding for the two loans in part II, item 4(c), column B, and count these two loans to the same borrower as *one* loan for purposes of part II, item 4(c), column A.

Case II: The branch's loan system *cannot provide* aggregate individual borrower data without undue cost to the reporting institution. Therefore, the borrower's two loans would be treated as separate loans for purposes of Schedule C, part II. Based on its $260,000 original amount, the first lien loan would be considered a "loan to a small farm" and would be reported in Schedule C,

part II. Because the original amount of the loan falls within the more than $250,000 through $500,000 range, the branch would report the $225,000 amount currently outstanding in part II, item 4(c), column B, and count this loan as *one* loan for purposes of part II, item 4(c), column A. Since the second lien loan is being handled separately and its original amount is $50,000, it would also be considered a "loan to a small farm" and would be reported in Schedule C, part II. Because the original amount of this loan is less than $100,000, the branch would report the $50,000 amount currently outstanding in part II, item 4(a), column B, and count this loan as *one* loan for purposes of part II, item 4(a), column A.

(9) The branch has one final "Loan secured by farmland" (not held in its IBF) which has a carrying value on the June 30 report date of $5,000 and this amount is included in Schedule C, part I, item 1, column A. The branch made this loan to the borrower in the original amount of $300,000, so it would be considered a "loan to a small farm" and would be reported in Schedule C, part II. Because the original amount of the loan falls within the more than $250,000 through $500,000 range, the branch would report the $5,000 amount currently outstanding in part II, item 4(c), column B.

(10) The branch has granted a $150,000 line of credit to a farmer that is not secured by real estate. The farmer has received advances twice under this line of credit and, rather than having signed a single note for the entire $150,000 amount of the line of credit, has signed separate notes for each advance. One note is in the original amount of $30,000 and the other is in the original amount of $50,000. The carrying values of the two notes (which are not held in the branch's IBF) on the June 30 report date are the same as their original amounts and these amounts are included in Schedule C, part I, item 8, column A. For loans drawn down under lines of credit, the original amount of the loan is the size of the line of credit when it was most recently approved, extended, or renewed prior to the report date. In this case, the line of credit was most recently approved for $150,000.

Case I: The branch's loan system *can provide*-aggregate individual borrower data for multiple advances under lines of credit without undue cost to the reporting institution. Thus, even though a separate note was signed each time the farmer borrowed under the line of credit, the loan system combines all information about the farmer's separate borrowings under the line of credit. Therefore, the loan system indicates that the farmer has a line of credit for $150,000 and that the amount currently outstanding under the line of credit for the combined carrying values of the two borrowings under the line of credit is $80,000. Because the line of credit was most recently approved for $150,000, this $150,000 original amount for the line of credit would be considered a "loan to a small farm" that would be reported in Schedule C, part II. Therefore, the original amount of the line of credit falls within the more than $100,000 through $250,000 range and the branch would report the $80,000 combined total of the amounts currently outstanding for the two notes in part II, item 5(b), column B, and count these two notes to the farmer under the line of credit as *one* loan for purposes of part II, item 5(b), column A.

Case II: The branch's loan system *cannot provide* aggregate individual borrower data for lines of credit without undue cost to the reporting institution. Therefore, the farmer's two notes under the line of credit would be treated as separate loans for purposes of Schedule C, part II. The original amount of the line of credit is $150,000 and each of the two notes would be considered a "loan to a small farm" that would be reported in Schedule C, part II. Because each of the two notes indicates that it is part of a $150,000 line of credit and the $150,000 original amount of the line of credit falls within the more than $100,000 through $250,000 range, the branch would report both the $30,000 and $50,000 amounts currently outstanding in part II, item 5(b), column B, and count these as *two* loans for purposes of part II, item 5(b), column A.

(11) The branch has one other "Loan to finance agricultural production and other loans to a farmer" (not held in its IBF) which has a carrying value on the June 30 report date of $75,000 and this amount is included in Schedule C, part I, item 8, column A. The branch made this loan to the bor-

rower in the original amount of $100,000, so it would be considered a "loan to a small farm" and would be reported in Schedule C, part II. Because the original amount of the loan is exactly $100,000 which is the upper end of the $100,000 or less range, the branch would report the $75,000 amount currently outstanding in part II, item 5(a), column B.

INSTRUCTIONS FOR THE PREPARATION OF

Deposit Liabilities and Credit Balances
Schedule E

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 accounts;

(9) time deposits;

(10) time certificates of deposit;

(11) time deposits, open account;

(12) interest-bearing deposit accounts; and

(13) noninterest-bearing deposit accounts.

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

(1) brokered deposits;

(2) credit balances;

(3) letter of credit (for letters of credit sold for cash and travelers' letters of credit);

(4) overdraft;

(5) pass-through reserve balances; and

(6) reciprocal balances.

This schedule covers the deposit liabilities and credit balances of the reporting branch or agency, excluding its IBF, in the first three columns and the deposit liabilities of the IBF in the last column.

NOTE: Branches whose deposits are insured by the FDIC should refer to Schedule O for information about reporting of deposits for insurance assessment purposes.

Exclude all transactions with related depository institutions, which are to be reported in Schedule M.

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 branch or agency and other depository institutions may be reported on a net basis when a right of setoff exists. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist. For further information, see the "Glossary" entry for "reciprocal balances."

For the appropriate treatment of deposits of depository institutions for which the reporting branch or agency is serving as a pass-through agent for federal required reserves, see the Glossary entry for "pass-through reserve balances."

The following are *not* reported as deposits:

(1) Outstanding drafts (including advices or authorizations to charge the branch or agency's balance in another depository institution) drawn in the regular course of business by the reporting branch or agency on other depository institutions.

(2) Overdrafts in deposit accounts. Overdrafts are to be reported as loans in Schedule C and not as negative deposits. Overdrafts in a single type of related transaction accounts (e.g., related demand deposit accounts or related NOW accounts, but not a combination of demand deposit accounts and NOW accounts) of a single legal entity that are established under a bona fide cash management arrangement by this legal entity are not to be classified as loans unless there is a net overdraft position in the accounts taken as a whole. Such accounts are regarded as, and function as, one account rather than as multiple separate accounts.

(3) Trust funds held in the branch or agency's own trust department that the branch or agency keeps segregated and apart from its general assets and does not use in the conduct of its business.

(4) Time deposits sold (issued) by the reporting institution that it has subsequently purchased in the secondary market (typically as a result of the institution's trading activities) and has not resold as of the report date. For purposes of these reports, a branch or agency 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 branch or agency has cancelled a liability as opposed to having acquired an asset for its portfolio.

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 branch or agency other than the trust department.

(2) Escrow funds.

(3) Credit items not yet posted to deposit accounts that are carried in suspense or similar nondeposit accounts and are material in amount. As described in the Glossary entry for "suspense accounts," the items included in such accounts should be reviewed and material amounts reported in the appropriate balance sheet accounts. Note: Deposits carried in suspense accounts that have *not* been reclassified as deposits and reported in Schedule E by insured branches must be reported as unposted credits in Schedule O, item 2.

(4) Payments collected by the branch or agency on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.

(5) Funds received from customers and held for the eventual application to the reduction of outstanding acceptances or where the receipt thereof does not immediately reduce or extinguish the indebtedness.

(6) Credit balances, as defined in the Glossary, are those liabilities held by U.S. agencies of foreign banks that are defined as such by state law or federal regulation. For purposes of this report, they are included as part of transaction accounts.

(7) Funds received or held in connection with checks or drafts drawn by the reporting branch or agency 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 branch or agency 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 branch or agency, until the proceeds of the sale are remitted to another party, and funds received or held in connection with such other checks used (but not drawn) by the reporting branch or agency, until the amount of the checks is remitted to another party.

(9) Checks drawn by the reporting branch or agency 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 branch or agency prior to loan closing.

In addition, the gross amount of debit items ("throw-outs," "bookkeepers' cutbacks," or "rejects") that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason (e.g.,

stop payment, missing endorsement, post or stale date, or account closed), but which have been charged to the control accounts of the various deposit categories on the general ledger, should be credited to (added back to) the appropriate deposit control totals and reported in Schedule RAL, item 1(h) "Other assets."

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

Summary of Transaction Account Classifications

(See the Glossary entry for "deposits" for detailed definitions and further information.)

Always regarded as transaction accounts:

(1) Demand deposits.

(2) NOW accounts.

(3) ATS accounts.

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

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

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

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

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

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

Not regarded as transaction accounts (unless specified above):

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

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

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

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

Column Instructions

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

Deposits of the branch or agency's IBF are *excluded* from columns A, B, and C, and are reported separately in column D.

Column A, Total Transaction Accounts and Credit Balances (excluding IBF): Report in column A the total of all transaction accounts and credit balances (excluding IBF) as summarized above and fully defined in the Glossary entries for "deposits" and "credit balances." With the exceptions noted in the item instructions and Glossary entries, 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 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 (included in column A): Report in column B 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"). Demand deposits do not include MMDAs, NOW accounts or credit balances. In addition, any deposit liabilities held by the IBF are excluded from this column and are included in column D.

NOTE: Demand deposits are, of course, one type of transaction account and, therefore, amounts reported in this column should be included in the total of all transaction accounts that is reported in column A.

Column C, Total Nontransaction Accounts (including MMDAs) (excluding IBF): Report in column C all deposits other than transaction accounts as summarized above and 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. Exclude all nontransaction accounts of the branch or agency's IBF, which are reported in column D, and all credit balances, which are reported in column A.

Column D, IBF Deposit Liabilities: Report in column D all deposit liabilities of the branch or agency's International Banking Facility, regardless of whether they are transaction or nontransaction accounts.

NOTE: Balances due from IBFs of related depository institutions are excluded from this schedule and reported in Schedule M. Amounts in this column should exclude federal funds purchased and securities sold under agreements to repurchase (which are reported in Schedule RAL, item 4(b), as appropriate). Other borrowed money from non-related institutions should be reported in Schedule P.

Item Instructions

In items 1 through 5 of Schedule E, institutions 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," "Foreign governments and official institutions," or "Commercial banks in the U.S." based on the beneficial owners of the funds that the broker has placed in the institution. However, if this information is not readily available to the issuing institution 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 institution issuing the deposits, these brokered deposits may be rebuttably presumed to be deposits of "Individuals, partnerships, and corporations" and reported in Schedule E, item 1, below. For further information, see the Glossary entry for "brokered deposits."

Item 1 Deposits of individuals, partnerships, and corporations (include all certified and official checks).

Report in the appropriate column all deposits and credit balances of individuals, partnerships, and corporations, wherever located, as well as all certified and official checks.

Include in this item:

(1) Deposits related to the personal, household, or family activities of both farm and nonfarm indi-

viduals and to the business activities of sole proprietorships.

(2) Deposits of corporations and organizations (other than depository institutions), regardless of whether or not 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 branch or agency 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 item 5).

(3) Dealer reserve accounts. Exclude dealer differential accounts, which are to be reported in Schedule RAL, item 4(e).

(4) Deposits of U.S. Government agencies and instrumentalities such as the:

(d) Banks for Cooperatives,

(e) Export–Import Bank of the U.S.,

(f) Federal Deposit Insurance Corporation,

(g) Federal Financing Bank,

(h) Federal Home Loan Banks,

(i) Federal Home Loan Mortgage Corporation,

(j) Federal Intermediate Credit Banks,

(k) Federal Land Banks,

(l) Federal National Mortgage Association,

(m) National Credit Union Administration Central Liquidity Facility,

(n) National Credit Union Share Insurance Fund.

(5) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department (except the trust department) of the reporting branch or agency, if the beneficiary is an individual, partnership, or corporation.

(6) Credit balances on credit cards and related plans as a result of customer overpayment.

(7) Deposits of a federal or state court held for the benefit of individuals, partnerships, or corporations, such as bankruptcy funds and escrow funds.

(8) Certified and official checks, which include the following:

(o) Unpaid depositors' checks that have been certified.

(p) Cashiers' checks, money orders, or other officers' checks issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on the reporting branch or agency by any of its duly authorized officers and that are outstanding on the report date.

(q) Funds received or held in connection with checks or drafts drawn by the reporting branch or agency 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 branch or agency only when it has been advised that the checks or drafts have been presented).

(r) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by the reporting branch or agency, until the proceeds of the sale are remitted to another party, and funds received or held in connection with such other checks used (but not drawn) by the reporting branch or agency, until the amount of the checks is remitted to another party.

(s) Checks drawn by the reporting branch or agency on, or payable at or through, a Fed-

eral Reserve Bank or a Federal Home Loan Bank.

(t) Outstanding travelers' checks, travelers' letters of credit, or other letters of credit (less any outstanding drafts accepted thereunder) sold for cash or its equivalent by the reporting branch or agency or its agents.

(u) Outstanding drafts and bills of exchange accepted by the reporting branch or agency or its agents for money or its equivalent, including drafts accepted against a letter of credit issued for money or its equivalent.

(v) Checks or drafts drawn by the reporting branch or agency on itself on behalf of the head office and other foreign related institutions. Such drafts are, for purposes of this report and federal deposit insurance assessments, the same as officers' checks. This would include "London checks," "Eurodollar bills payable checks," and any other credit items that the branch or agency issues in connection with such transactions.

Exclude from this item deposits of:

(1) The U.S. Government and states and political subdivisions in the U.S. (report in item 5).

(2) Commercial banks in the U.S. (report in item 2).

(3) Other depository institutions in the U.S. (report in item 5).

(4) Banks in foreign countries (report in item 3).

(5) The head office or other related depository institutions (report in Schedule M).

Item 1(a) U.S. addressees (domicile).

Report in the appropriate column all deposits of individuals, partnerships, and corporations domiciled in the U.S., i.e., U.S. addressees (as well as all certified and official checks). (See the Glossary entry for "domicile" for further discussion of "addressee.")

NOTE: Report in column D (IBF deposit liabilities) all deposits of individuals, partnerships, and corporations domiciled in Puerto Rico and the U.S. territories and possessions.

Item 1(b) Non-U.S. addressees (domicile).

Report in the appropriate column all deposits of individuals, partnerships, and corporations domiciled in foreign countries, i.e., non-U.S. addressees. (See the Glossary entry for "domicile" for further discussion of "addressee.") *Exclude* all certified and official checks, which are to be reported in item 1(a), above.

NOTE: Report in column D all deposits of individuals, partnerships, and corporations domiciled outside of the 50 states of the U.S., Puerto Rico, and the U.S. territories and possessions.

Item 2 Deposits and credit balances of commercial banks in the U.S. (including their IBFs).

Report in the appropriate column (as described above under "Column Instructions") all deposit liabilities and credit balances of commercial banks in the U.S. (including IBFs). For purposes of this item, commercial banks in the U.S. include:

(1) U.S. branches and agencies of other foreign banks;

(2) all other commercial banks in the U.S., i.e., U.S. domiciled branches of U.S. banks; and

(3) IBFs of U.S. branches and agencies of foreign banks and other commercial banks in the U.S.

Exclude any of these institutions that are related to the reporting institution (report in Schedule M). Refer to the Glossary entries for "banks, U.S. and foreign" and "international banking facility (IBF)" for further discussion of these terms.

For purposes of this schedule, U.S. branches and agencies of other foreign banks include U.S. branches and agencies of foreign official banking institutions (including central banks and nationalized banking and other banking institutions owned by foreign governments that have as an important part of their function activities similar to those of a central bank) and investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more nonrelated foreign banks.

For the appropriate treatment of deposits of depository institutions for which the reporting institution is serving as a pass-through correspondent for federal required reserves, see the Glossary entry for "pass-

through reserve balances." For the appropriate treatment of deposits of depository institutions for which the reporting institution is acting as an agent for an excess balance account at a Federal Reserve Bank, see the Glossary entry for "excess balance account."

Exclude from this item, and from items 2(a) and 2(b) below, deposits of the following depository institutions:

(1) Building or savings and loan associations, home stead associations, cooperative banks, credit unions, and mutual or stock savings banks (report in item 5 below).

(2) Banks in foreign countries (report in item 3 below). (See the Glossary entry for "banks, U.S. and foreign" for the definition of this term.)

Item 2(a) U.S. branches and agencies of other foreign banks.

Report in the appropriate column deposits and credit balances of U.S. branches and agencies of other foreign banks and deposits of U.S.-domiciled offices of New York State (Article XII) investment companies that are majority-owned by one or more other foreign banks. Also included in this item are deposits of IBFs of U.S. branches and agencies of foreign banks. *Exclude* deposits and credit balances of institutions that are related to the reporting institution (to be reported in Schedule M). *Exclude* deposits of U.S.-chartered banks owned by foreign banks or by foreign official banking institutions (to be reported in item 2(b) below).

Item 2(b) Other commercial banks in the U.S.

Report in the appropriate column (as described above under "Column Instructions") deposits of U.S.-domiciled offices of other commercial banks. *Exclude* deposits of any of these institutions that are related to the reporting institution (report in Schedule M).

For purposes of this item, "banks" include national banks, state-chartered commercial banks, trust companies performing a commercial banking business, industrial banks, IBFs of commercial banks other than U.S. branches and agencies of foreign banks, private banks (including regulated-certificated banks) performing a commercial banking business, and Edge and Agreement corporations that are domiciled in the 50 states of the United States, District of Columbia, Puerto Rico, or U.S. territories and possessions. Include all U.S.-chartered banks owned by foreign banks or by foreign official banking institutions (but not their U.S.-domiciled branches and agencies, which are included in item 2(a) above). Reciprocal demand balances of these other commercial banks should be reported net.

Item 3 Deposits of banks in foreign countries.

Report in the appropriate column all deposits of nonrelated banks located in foreign countries. For purposes of this item, nonrelated banks in foreign countries include:

(1) *foreign*-domiciled branches of U.S. banks; and

(2) *foreign*-domiciled branches of other foreign banks.

Exclude from this item and from items 3(a) and 3(b) below, deposits of foreign official institutions and foreign central banks (to be reported in item 4 below), deposits of U.S. branches and agencies of other foreign banks and of New York State investment companies (to be reported in item 2(a) above), and deposits of related banking institutions (to be reported in Schedule M).

Reciprocal demand balances with nonrelated banks in foreign countries should be reported gross.

See the Glossary entry for "banks, U.S. and foreign" for further discussion of these terms.

Item 3(a) Foreign branches of U.S. banks.

Report in the appropriate column all deposits of foreign (non-U.S.) branches of nonrelated (1) U.S. banks and (2) Edge and Agreement corporations. Exclude deposits of foreign-domiciled banking subsidiaries of nonrelated U.S. banks and Edge and Agreement corporations (report in item 3(b) below).

Item 3(b) Other banks in foreign countries.

Report in the appropriate column all deposits of nonrelated foreign-domiciled commercial banks, savings banks, discount houses, and other similar foreign-domiciled institutions that accept deposits. Include deposits of foreign-domiciled banking subsidiaries (but not branches which are reported in item 3(a) above) of both nonrelated U.S. banks and nonrelated Edge and Agreement corporations.

Item 4 Deposits of foreign governments and official institutions.

Report in the appropriate column all deposits of foreign governments and official institutions (including foreign central banks). (See the Glossary entry for "foreign governments and official institutions" for the definition of this term.)

Exclude from this item deposits and credit balances of:

(1) U.S. branches and agencies of foreign official banking institutions (report in item 2(a) above).

(2) Nationalized banks and other banking institutions that are owned by foreign governments and that do *not* function as central banks, banks of issue, or development banks (report in item 3(b) above).

(3) Foreign government-owned nonbank commercial and industrial enterprises (report in item 1(a) or 1(b) above).

(4) Deposits of the reporting institution's parent if the parent is a foreign government or official institution. Such transactions are reported in Schedule M.

Item 5 All other deposits and credit balances.

Report in the appropriate column, all other deposits and credit balances due to nonrelated institutions not covered in items 1 through 4 above. Included in this item are deposits of:

(1) The United States Government. Such deposits include:

(a) U.S. Treasury Tax and Loan Accounts, including deposits of federal income tax withheld from employee salaries, from interest and dividend payments, and from distributions or payments from pensions, annuities, and other deferred income including IRAs; social security tax deposits and other federal tax payments; and the proceeds from sales of U.S. Savings Bonds.

(b) *NOTE:* Only deposits credited to the U.S. Treasury Tax and Loan demand deposit accounts that represent funds received as of the close of business of the "current" day should be reported as Treasury Tax and Loan Demand Deposits. (The "current" day's deposits should reflect those deposits on the branch or agency's books standing to the credit of the U.S. Treasury's Tax and Loan Account as of the report date.) Funds credited to Tax and Loan Demand Deposit Accounts as of the close of business on previous days should already have been remitted to the Federal Reserve Bank (and thus excluded from this report) or automatically converted into open-ended interest-bearing notes (to be reported in Schedule RAL, item 4(c)), depending on the option selected by the reporting institution.

(c) Deposits standing to the credit of certain quasi-governmental institutions when the reporting branch or agency has been designated by the U.S. Treasury as a depository for such funds.

(d) Deposits of the U.S. Postal Service and local post offices.

Exclude from this item deposits of U.S. Government agencies and instrumentalities. (Such deposits are to be reported in item 1 above.)

(2) States and political subdivisions in the U.S. Deposits of these entities include deposits of public funds standing to the credit of states, counties, municipalities, and local housing authorities; school, irrigation, drainage, and reclamation districts; or other instrumentalities of one or more states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions.

(3) Also *include* deposits of funds advanced to states and political subdivisions by U.S. Government agencies and corporations and deposits of withheld income taxes of states and political subdivisions.

(4) Other depository institutions in the U.S. Included herein are deposits of the following depository institutions in the U.S., other than commercial banks:

(a) building or savings and loan associations, homestead associations, and cooperative banks;

(b) mutual and stock savings banks; and

(c) credit unions.

(5) Refer to Glossary entry for "depository institutions in the U.S." for complete discussion of this term.

(6) For the appropriate treatment of deposits of depository institutions for which the reporting branch or agency is serving as a pass-through agent for federal required reserves, see the Glossary entry for "pass-through reserve balances."

Item 6 Not applicable.

Item 7 Total deposits and credit balances.

Report in columns A, C, and D the sums of items 1 through 5 above. Report in column B the total of all demand deposits, both interest-bearing and noninterest-bearing. The sum of columns A, C and D must equal Schedule RAL, item 4(a), column A. The sum of column D must equal Schedule RAL, item 4(a), column B.

Memoranda

Item M1 Components of total nontransaction accounts.

The amounts to be reported in Memorandum items M1(a) through M1(c) below are included as components of total nontransaction accounts (excluding IBF) in item 7, column C above. (See the Glossary entry for "deposits" for a discussion of nontransaction accounts.)

NOTE: These amounts exclude amounts outstanding to the head office and related depository institutions (to be reported in Schedule M, as appropriate).

Item M1(a) Time deposits of $100,000 or more.

Report in this item all time deposits included in item 7, column C, with outstanding balances of $100,000 or more, regardless of negotiability or transferability.

Include in this item time certificates of deposit and open-account time deposits with balances of $100,000 or more. *Exclude* from this item all time deposits issued to deposit brokers in the form of large ($100,000 or more) certificates of deposit that have been participated out by the broker in shares of less than $100,000. (See the Glossary entry for "deposits" for the definition of time deposits.)

Item M1(b) Individual Retirement Accounts (IRAs) and Keogh Plan accounts included in Memorandum item 1(a), "Total time deposits of $100,000 or more," above.

Report in this item all IRA and Keogh Plan time deposits of $100,000 or more included above in Schedule E, Memorandum item 1(a). IRAs include traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and SIMPLE IRAs.

Exclude deposits in "Section 457" deferred compensation plans and self-directed defined contribution plans, which are primarily 401(k) plan accounts. Also exclude deposits in Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts (formerly known as Education IRAs).

Item M1(c) Time deposits of $100,000 or more with remaining maturity of more than 12 months included in Memorandum item 1(a), "Total time deposits of $100,000 or more," above.

Enter the dollar amount outstanding of all time deposits included in item 7, column C, and in Memorandum item 1(a), above, regardless of negotiability or transferability, with outstanding balances of $100,000 or more and with a *remaining* maturity of more than 12 months.

So called "roll-over" negotiable certificates of deposit should be reported according to the remaining maturity of the overall long-term deposit contract, or master contract, rather than that of the shorter-term certificates of deposit actually issued.

INSTRUCTIONS FOR THE PREPARATION OF

Quarterly Averages
Schedule K

General Instructions

The amounts reported in this schedule are for the reporting branch or agency *including* its IBF. All of the items for which quarterly averages are to be reported relate to assets and liabilities reported on a spot one-day basis in Schedules RAL, A, C, or E. These corresponding items, as cross-referenced in Schedule K, are definitionally consistent between these schedules and Schedule K.

For each specified item report either the average of the balances as of the close of business for each day of the calendar quarter, or an average of the balances as of the close of business on each Wednesday during the calendar quarter. For days that the branch or agency (or its IBF, if applicable) is closed (e.g., Saturdays, Sundays, or holidays), the amount outstanding from the previous business day is to be used. The branch or agency is considered to have been closed if there are no transactions posted to the general ledger as of that date.

NOTE: Exclude from these averages all transactions of the reporting branch or agency, including its IBF, with related depository institutions.

Assets

Item 1 Interest-bearing balances due from depository institutions.

This item corresponds in definition to the interest-bearing component of Schedule RAL, item 1(a), and to detail in Schedule A—"Cash and Balances Due from Depository Institutions." For purposes of this item, "interest-bearing balances due from depository institutions" corresponds to the total of items 3, 4, and 5, column A, of Schedule A, i.e., "Balances due from depository institutions in the U.S.," "Balances due from banks in foreign countries and foreign central banks," and "Balances due from Federal Reserve Banks," minus all noninterest-bearing balances due from these entities.

Item 2 Federal funds sold and securities purchased under agreements to resell.

This item corresponds directly to the sum of items 1(d)(1), "Federal funds sold and securities purchased under agreements to resell with depository institutions in the U.S.," and 1(d)(2), "Federal funds sold and securities purchased under agreements to resell with others," of Schedule RAL.

Item 3 Total loans and leases held for investment and held for sale.

This item corresponds directly to item 1(e) of Schedule RAL, "Loans and leases held for investment and held for sale."

Item 4 Loans to and acceptances of banks in foreign countries.

This item corresponds directly to the sum of items 2(c)(1), "Loans to and acceptances of foreign branches of U.S. banks," and 2(c)(2), "Loans to and acceptances of other banks in foreign countries," of Schedule C, part I.

Item 5 Total claims on nonrelated parties.

Report the quarterly average for total claims on nonrelated parties. For institutions that have not adopted ASU 2016-01, this item corresponds to item 1(i) of Schedule RAL, except that this quarterly average should reflect all securities not held for trading on an amortized cost basis. For institutions that have adopted ASU 2016-01, this item corresponds to item 1(i) of Schedule RAL, except that this quarterly average should reflect all debt securities not held for

trading on an amortized cost basis. This item is *not* the sum of items 1 through 4 above.

Item 6 Time certificates of deposit in denominations of $100,000 or more.

Report the quarterly average of all large time certificates of deposit held by the reporting branch or agency. (See the Glossary entry for "deposits" for the definition of time certificates of deposit.)

Item 7 Interest-bearing deposits and credit balances.

This item corresponds to the interest-bearing component of Schedule RAL, item 4(a), "Total deposits and credit balances." See the Glossary entry for "deposits" for the definition of "interest-bearing deposit accounts."

Item 8 Federal funds purchased and securities sold under agreements to repurchase.

This item corresponds directly to the sum of items 4(b)(1), "Federal funds purchased and securities sold under agreements to repurchase with depository institutions in the U.S.," and 4(b)(2), "Federal funds purchased and securities sold under agreements to repurchase with others," of Schedule RAL.

Item 9 Other borrowed money.

This item corresponds directly to item 4(c) of Schedule RAL, the detail of which is contained in Schedule P.

INSTRUCTIONS FOR THE PREPARATION OF

Derivatives and Off-Balance Sheet Items
Schedule L

General Instructions

The amounts reported in this schedule are for the reporting branch or agency *including* its IBF, if any. Exclude from this schedule: commitments not yet drawn down under retail credit cards, check credit, and related plans; and contingencies arising in connection with litigation.

Exclude all transactions with related depository institutions. Report derivatives and off-balance sheet items with related depository institutions in Schedule M, Part V.

Item Instructions

Item 1 Commitments to make or purchase loans.

Report the *unused* portions of commitments that obligate the reporting branch or agency, including its IBF, to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions. *Exclude* commitments that obligate the reporting branch or agency to extend credit in the form of retail credit cards, check credit, and related plans. Also, exclude commitments that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), which should be reported in Schedule L, item 9.

Report the unused portions of commitments for which the branch or agency, including its IBF, has charged a commitment fee or other consideration, *or* otherwise has a legally binding commitment. Such commitments are to be reported regardless of whether they contain "material adverse change" clauses or other provisions that are intended to relieve the issuer of its funding obligations under certain conditions and regardless of whether they are unconditionally cancellable at any time. In the case of commitments for syndicated loans or participated loans, report only the branch or agency's (or IBF's) proportional share of the commitment.

Include commitments to issue a commitment at some point in the future, where the bank has extended terms, the borrower has accepted the offered terms, and the extension and acceptance of the terms:

(1) Are in writing, regardless of whether they are legally binding on the bank and the borrower, or

(2) If not in writing, are legally binding on the bank and the borrower[1],

even though the related loan agreement has not yet been signed and even if the commitment to issue a commitment is revocable, provided any revocation has not yet taken effect as of the report date.

Include loan proceeds that the branch or agency, including its IBF, is obligated to advance, such as loan draws, construction progress payments, seasonal or living advances to farmers under prearranged lines of credit, rotating or revolving credit arrangements (other than retail credit card, check credit, and related plans), or similar transactions.

Item 2 Spot foreign exchange contracts.

Report the gross amount (stated in U.S. dollars) of all spot contracts committing the reporting branch or agency to purchase foreign (non-U.S.) currencies and U.S. dollar exchange that are outstanding as of the report date.

1. For example, either the extension or the acceptance of the terms or both are verbal, but they are nonetheless legally binding on both parties under applicable law.

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

Only one side of a spot foreign exchange contract is to be reported. In those transactions where foreign (non-U.S.) currencies are bought or sold against U.S. dollars, report only that side of the transaction that involves the foreign (non-U.S.) currency. For example, if the reporting branch or agency enters into a spot contract which obligates the branch or agency to purchase U.S. dollar exchange against which it sells Japanese yen, then the branch or agency would report (in U.S. dollar equivalent values) the amount of Japanese yen sold in this item. In cross-currency spot foreign exchange transactions, which involve the purchase and sale of two non-U.S. currencies, only the purchase side is to be reported (in U.S. dollar equivalent values).

Item 3 Standby letters of credit.

Report in item 3(a) the total amount outstanding *and* unused as of the report date of all standby letters of credit (and all legally binding commitments to issue standby letters of credit) issued by the reporting branch or agency, including its IBF, or acquired from others. Include those standby letters of credit that are collateralized by cash on deposit and those in which participations have been conveyed to others where (a) the originating branch or agency, including its IBF, is to pay the full amount of any draft drawn under the terms of the standby letter of credit and (b) the participating institutions have an obligation to partially or wholly reimburse the originating branch or agency, including its IBF, either directly in cash or through a participation in a loan to the account party. (See the Glossary entry for "letter of credit" for the definition of standby letter of credit.)

Include standby letters of credit issued by the reporting branch or agency that insure the timely payment of principal and interest on debt issuances, including debt issued by the foreign parent bank.

Originating branches or agencies, including their IBFs, also must report the amount of standby letters of credit conveyed to others through participations in item 3(b). Branches or agencies, including their IBFs, participating in such arrangements must report in item 3(a) the full amount of their contingent liabilities to participate in such standby letters of credit without deducting any amounts that they may have reparticipated to others. Participating branches or agencies, including their IBFs, also must report the amount of participation interests in such transactions they have reparticipated to others, if any, in item 3(b).

For syndicated standby letters of credit where each institution or branch or agency has a direct obligation to the beneficiary, each financial institution must report only its share in the syndication. Similarly, if several financial institutions participate in the issuance of a standby letter of credit under a *bona fide* binding agreement which provides that (a) regardless of any event, each participant shall be liable only up to a certain percentage or to a certain amount and (b) the beneficiary is advised and has agreed that each participant is only liable for a certain portion of the entire amount, each bank or branch or agency shall report only its proportional share of the total standby letter of credit.

For a standby letter of credit that is in turn backed by a standby letter of credit issued by another financial institution, each branch or agency, including its IBF, must report the entire amount of the standby letter of credit it has issued in item 3(a) The amount of the branch or agency's standby letter of credit must be included in item 3(b) since the backing of a standby letter of credit has substantially the same effect as the conveying of participations in standby letters of credit.

Exclude from standby letters of credit signature or endorsement guarantees of the type associated with the clearing of negotiable instruments or securities in the normal course of business.

Item 3(a) Total.

Report the total amount of all standby letters of credit issued by the reporting branch or agency, including its IBF, or acquired from others.

Item 3(a)(1) To U.S. addressees (domicile).

Report the amount of standby letters of credit (as defined in item 3) to U.S. addressees. The distinction between U.S. addressees and non-U.S. addressees is determined by the domicile of the account party, not the domicile of the beneficiary. See the Glossary entry for "domicile."

Item 3(a)(2) To non-U.S. addressees (domicile).
Report the amount of standby letters of credit (as defined in item 3) to foreign (non-U.S.) addressees. The distinction between U.S. addressees and non-U.S. addressees is determined by the domicile of the account party, not the domicile of the beneficiary. See the Glossary entry for "domicile."

Item 3(b) Amount of total standby letters of credit in item 3(a) conveyed to others through participations.
Report that portion of the branch or agency's (including its IBF's) total contingent liability for standby letters of credit reported in items 3(a)(1) and 3(a)(2) that the branch or agency has conveyed to others. Participations and backings may be for any part or all of a given obligation. Also, include that portion of the branch or agency's standby letters of credit reported in items 3(a)(1) and 3(a)(2) that are backed by other banks' standby letters of credit.

Item 4 Commercial and similar letters of credit.
Report the amount outstanding *and* unused as of the report date of issued or confirmed commercial letters of credit, travelers' letters of credit *not issued* for money or its equivalent, and all similar letters of credit, *but excluding standby letters of credit* (which are to be reported in item 3 above). Legally binding commitments to issue commercial letters of credit are also to be reported in this item. (See the Glossary entry for "letter of credit.")

Travelers' letters of credit or other letters of credit *issued* for money or its equivalent by the reporting branch or agency or its agents should be reported as demand deposit liabilities in Schedule E.

Item 5 Not applicable.

Item 6 Credit derivatives.
Report in the appropriate subitem and column the notional amount and fair value of all credit derivatives. In general, credit derivatives are arrangements that allow one party (the "beneficiary") to transfer the credit risk of a "reference asset" or "reference entity" to another party (the "guarantor"). Branches and agencies should report the notional amounts of credit derivatives by type of instrument in Schedule L, items 6.a.(1) through 6.a.(4). Branches and agencies should report the gross positive and negative fair values of all credit derivatives in Schedule L, items 6.b.(1) and 6.b.(2). For both the notional amounts and gross fair values, report credit derivatives for which the branch or agency is the guarantor in column A and those on which the branch or agency is the beneficiary in column B.

No netting of contracts is permitted for purposes of this item. Therefore, do not net the notional amounts or fair values of: (1) credit derivatives with third parties on which the reporting branch or agency is the beneficiary against credit derivatives with third parties on which the reporting branch or agency is the guarantor, or (2) contracts subject to bilateral netting agreements. The notional amount of credit derivatives should not be included in Schedule L, items 9 through 11, and the fair value of credit derivatives should not be included in Schedule L, item 12.

Item 6.a Notional amounts
Report in the appropriate subitem and column the notional amount (stated in U.S. dollars) of all credit derivatives. For tranched credit derivative transactions that relate to an index, e.g., the Dow Jones CDX NA index, report as the notional amount the dollar amount of the tranche upon which the reporting branch or agency's credit derivative cash flows are based.

Item 6.a.(1) Credit default swaps
Report in the appropriate column the notional amount of all credit default swaps. A credit default swap is a contract in which a guarantor (risk taker), for a fee, agrees to reimburse a beneficiary (risk hedger) for any losses that occur due to a credit event on a particular entity, called the "reference entity." If there is no credit default event (as defined by the derivative contract), then the guarantor makes no payments to the beneficiary and receives only the contractually specified fee. Under standard industry definitions, a credit event is normally defined to include bankruptcy, failure to pay, and restructuring. Other potential credit events include obligation acceleration, obligation default, and repudiation/ moratorium.

Item 6.a.(2) Total return swaps
Report in the appropriate column the notional amount of all total return swaps. A total return swap transfers the total economic performance of a reference asset,

which includes all associated cash flows, as well as capital appreciation or depreciation. The protection buyer receives a floating rate of interest and any depreciation on the reference asset from the protection seller. The protection seller (guarantor) has the opposite profile. The guarantor receives cash flows on the reference asset, plus any appreciation, and it pays any depreciation to the beneficiary, plus a floating interest rate. A total return swap may terminate upon a default of the reference asset.

Item 6.a.(3) Credit options

Report in the appropriate column the notional amount of all credit options. A credit option is a structure that allows investors to trade or hedge changes in the credit quality of the reference asset. For example, in a credit spread option, the option writer (guarantor) assumes the obligation to purchase or sell the reference asset at a specified "strike" spread level. The option purchaser (beneficiary) buys the right to sell the reference asset to, or purchase it from, the option writer at the strike spread level.

Item 6.a.(4) Other credit derivatives

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

Item 6.b Gross fair values

Report in the appropriate subitem and column the gross fair values of all credit derivatives. As defined in ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, "Fair Value Measurements"), fair value is the amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and should be used as the basis for the measurement, if available. If a quoted market price is available, the fair value is the product of the number of trading units times that market price. If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances. The estimate of fair value should consider prices for similar assets or similar liabilities and the results of valuation techniques to the extent available in the circumstances. For purposes of this item, the reporting branch or agency should determine the fair value of its credit derivative contracts in the same manner that it determines the fair value of these contracts for other financial reporting purposes.

Item 6.b.(1) Gross positive fair value

Report in the appropriate column the total fair value of those credit derivatives reported in Schedule L, items 6.a.(1) through 6.a.(4), above, with positive fair values.

Item 6.b.(2) Gross negative fair value

Report in the appropriate column the total fair value of those credit derivatives reported in Schedule L, items 6.a.(1) through 6.a.(4), above, with negative fair values Report the total fair value as an absolute value; do not enclose the total fair value in parentheses or use a minus (−) sign.

Item 7 All other off-balance sheet contingent liabilities greater than or equal to ½ percent of total claims on nonrelated parties as reported on Schedule RAL, item 1(i).

Report all significant types of off-balance sheet contingent liabilities not covered in other items of this schedule. Report only the aggregate amount of those types of "other off-balance sheet contingent liabilities" that individually equal or exceed one half percent of the reporting institution's total claims on nonrelated parties (Schedule RAL, item 1(I), column A). If the branch or agency has no types of "other off-balance sheet contingent liabilities" that individually equal or exceed one half percent of total claims on nonrelated parties, report a zero or the word "none."

In addition, itemize with clear but concise captions those types of "other off-balance sheet contingent liabilities" reportable in this item that individually equal or exceed one percent of the institution's total claims on nonrelated parties (Schedule RAL, item 1(I), column A). Enter such items in the inset boxes provided.

Include as "other off-balance sheet contingent liabilities:"

(1) The unsold portion of the reporting branch or agency's own takedown in syndicated securities underwriting transactions, including revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements. These are facilities under which a borrower can issue on a revolving basis short-term paper in its own name, but for which the underwriting institutions have a legally binding commitment either to purchase any notes the borrower is unable to sell by the roll-over date or to advance funds to the borrower.

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

(3) Shipside or dockside guarantees or similar guarantees relating to missing bills-of-lading or title documents and other document guarantees that facilitate the replacement of lost or destroyed documents and negotiable instruments.

(4) Securities borrowed against collateral (other than cash), or on an uncollateralized basis. For borrowed securities that are fully collateralized by similar securities of equivalent value, report the market value of the borrowed securities at the time they were borrowed. For other borrowed securities, report their market value as of the report date.

(5) Commitments to purchase when-issued securities that are excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended) (and therefore not reported as forward contracts in Schedule L, item 9(b) below).

(6) Risk participations that the reporting branch or agency has acquired in acceptances of other (accepting) banking institutions.

(7) Financial guarantees issued by the reporting branch or agency that insure the timely payment of principal and interest on debt issuances, including debt issued by the foreign parent bank.

Exclude from "other off-balance sheet contingent liabilities":

(1) All liabilities to nonrelated parties which are required to be reported in Schedule RAL, such as repurchase and resale agreements and loans sold with recourse.

(2) Commitments to purchase property being acquired for lease to others (report in Schedule L, item 1, above).

(3) Contingent liabilities arising in connection with litigation in which the reporting branch or agency, including its IBF, is involved.

(4) Any unused portion of retail credit cards, check credit, and related plans.

(5) Signature or endorsement guarantees of the type associated with the regular clearing of negotiable instruments or securities in the normal course of business.

(6) Commitments to sell foreign currencies and U.S. dollar exchange (spot and forward).

(7) Commitments that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, which should be reported in Schedule L, item 9.

Item 8 All other off-balance sheet contingent claims (assets) greater than or equal to 1/2 percent of total claims on nonrelated parties as reported on Schedule RAL, item 1(i).

Report to the extent feasible and practicable all significant types of off-balance sheet contingent claims (assets) not covered in other items of this schedule. Exclude all items which are required to be reported as claims on nonrelated parties on the schedule of assets and liabilities in this report (Schedule RAL) and contingent claims arising in connection with litigation in which the reporting branch or agency is involved, and assets held in or administered by the reporting branch or agency's trust department.

Report only the aggregate amount of those types of "other off-balance sheet contingent claims" that individually equal or exceed one half percent of the reporting institution's total claims on nonrelated parties (Schedule RAL, item 1(i), column A). If the branch or agency has no types of "other off-balance sheet contingent claims" that individually equal or exceed one half percent of total claims on nonrelated parties for

which the reporting is feasible and practicable, report a zero or the word "none."

In addition, itemize with clear but concise captions those types of "other off-balance sheet contingent claims" reportable in this item that individually equal or exceed one percent of the institution's total claims on nonrelated parties (Schedule RAL, item 1(i), column A). Enter such items in the inset boxes provided.

Include as "other off-balance sheet contingent claims" such items as (a) securities lent against collateral (other than cash) or on an uncollateralized basis, (b) internally developed intangible assets, and (c) commitments to sell when-issued securities that are excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended) (and therefore not reported as forward contracts in Schedule L, item 9(b) below).

Item 9 Gross amounts (e.g., notional amounts) of derivatives.

Report in the appropriate column and subitem the gross par value (stated in U.S. dollars) (e.g., for futures, forwards, and option contracts) or the notional amount (stated in U.S. dollars) (e.g., for forward rate agreements and swaps), as appropriate, of all contracts that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended). Report each contract according to its underlying risk exposure: interest rate, foreign exchange, equity, and commodity and other. Contracts with multiple risk characteristics should be classified based upon the predominant risk characteristics at the origination of the derivative. However, exclude all credit derivatives, which should be reported in Schedule L, Memorandum item 1 or 2.

The notional amount to be reported for a derivative contract with a multiplier component is the contract's effective notional amount or par value. For example, a swap contract with a stated notional amount of $1,000,000 whose terms called for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.

No netting of contracts is permitted for purposes of this item. Therefore, do not net: (1) obligations of the reporting branch or agency to purchase from third parties against the branch or agency's obligations to sell to third parties, (2) written options against purchased options, or (3) contracts subject to bilateral netting agreements.

For each column, the sum of items 9(a) through 9(e) must equal the sum of items 10 and 11.

Column Instructions

Column A, Interest Rate Contracts: Interest rate contracts are contracts related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). These contracts are generally used to adjust the branch or agency's interest rate exposure or, if the branch or agency is an intermediary, the interest rate exposure of others. Interest rate contracts include interest rate futures, single currency interest rate swaps, basis swaps, forward rate agreements, and interest rate options, including caps, floors, collars, and corridors.

Exclude contracts involving the exchange of one or more foreign currencies (e.g., cross-currency swaps and currency options) and other contracts whose predominant risk characteristic is foreign exchange risk, which are to be reported in column B as foreign exchange contracts.

Unsettled securities transactions that exceed the regular way settlement time limit that is customary in each relevant market must be reported as forward contracts in Schedule L, item 9(b).

Column B, Foreign Exchange Contracts: Foreign exchange contracts are contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange in the forward market, i.e., on an organized exchange or in an over-the-counter market. A purchase of U.S. dollar exchange is equivalent to a sale of foreign currency. Foreign exchange contracts include cross-currency interest rate swaps where there is an exchange of principal, forward foreign exchange contracts (usually settling three or more business days from trade date), and currency futures and currency options. Exclude spot foreign exchange contracts which are to be reported in Schedule L, item 2.

Only one side of a foreign currency transaction is to be reported. In those transactions where foreign (non-U.S.) currencies are bought or sold against U.S. dollars, report only that side of the transaction that involves the foreign (non-U.S.) currency. For example, if the reporting branch or agency enters into a futures contract which obligates the branch or agency to purchase U.S. dollar exchange against which it sells Japanese yen, then the branch or agency would report (in U.S. dollar equivalent values) the amount of Japanese yen marks sold in Schedule L, item 9(a). In cross-currency transactions, which involve the purchase and sale of two non-U.S. currencies, only the purchase side is to be reported.

All amounts in column B are to be reported in U.S. dollar equivalent values.

Column C, Equity Derivative Contracts: Equity derivative contracts are contracts that have a return, or 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.

The contract amount to be reported for equity derivative contracts is the quantity, e.g., number of units, of the equity instrument or equity index contracted for purchase or sale multiplied by the contract price of a unit.

Column D, Commodity and Other Contracts: Commodity contracts are contracts that have a return, or a portion of their return, linked to the price of or to an index of precious metals, petroleum, lumber, agricultural products, etc. Commodity and other contracts also include any other contracts that are not reportable as interest rate, foreign exchange, or equity derivative contracts.

The contract amount to be reported for commodity and other contracts is the quantity, e.g., number of units, of the commodity or product contracted for purchase or sale multiplied by the contract price of a unit.

The notional amount to be reported for commodity contracts with multiple exchanges of principal is the contractual amount multiplied by the number of remaining payments (i.e., exchanges of principal) in the contract.

Item 9(a) Futures contracts.

Futures contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. Futures contracts are standardized and are traded on organized exchanges.

Report, in the appropriate column, the aggregate par value of futures contracts that have been entered into by the reporting branch or agency and are outstanding (i.e., open contracts) as of the report date. Do not report the par value of financial instruments intended to be delivered under such contracts if this par value differs from the par value of the contracts themselves.

Contracts are outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying financial instruments or by offset. Offset is the liquidating of a purchase of futures through the sale of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange, or the covering of a short sale of futures through the purchase of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange.

Column A, Interest Rate Futures: Report futures contracts committing the reporting branch or agency to purchase or sell financial instruments and whose predominant risk characteristic is interest rate risk. Some of the more common interest rate futures include futures on 90-day U.S. Treasury bills; 12-year GNMA pass-through securities; and 2-, 4-, 6-, and 10-year U.S. Treasury notes.

Column B, Foreign Exchange Futures: Report the gross amount (stated in U.S. dollars) of all futures contracts committing the reporting branch or agency to purchase foreign (non-U.S.) currencies and U.S. dollar exchange and whose predominant risk characteristic is foreign exchange risk.

A currency futures contract is a standardized agreement for delayed delivery of a foreign (non-U.S.) currency or U.S. dollar exchange in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified amount at a specified exchange rate.

Column C, Equity Derivative Futures: Report futures contracts committing the reporting branch or agency to purchase or sell equity securities or instruments based on equity indexes such as the Standard and Poor's 500 or the Nikkei.

Column D, Commodity and Other Futures: Report the contract amount for all futures contracts committing the reporting branch or agency to purchase or sell commodities such as agricultural products (e.g., wheat, coffee), precious metals (e.g., gold, platinum), and nonferrous metals (e.g., copper, zinc). Include any other futures contract that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Item 9(b) Forward contracts.

Forward contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument or commodity at a specified price or yield. Forward contracts are not traded on organized exchanges and their contractual terms are not standardized.

Report the aggregate par value of forward contracts that have been entered into by the reporting branch or agency and are outstanding (i.e., open contracts) as of the report date. Do not report the par value of financial instruments intended to be delivered under such contracts if this par value differs from the par value of the contracts themselves.

Contracts are outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying financial instruments or settled in cash. Such contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller.

Include commitments to purchase and sell when-issued securities that are not excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), as a regular security trade Report commitments to purchase when-issued securities that are excluded from the requirements of ASC Topic 815 as "All other off-balance sheet contingent liabilities" in Schedule L, item 7, and commitments to sell when-issued securities that are excluded from the requirements of ASC Topic 815 as "Other off-balance sheet contingent claims" in Schedule L, item 8, subject to the existing reporting thresholds for these two items.

Column A, Interest Rate Forwards: Report forward contracts committing the reporting branch or agency to purchase or sell financial instruments and whose predominant risk characteristic is interest rate risk. Include in this item firm commitments (i.e., commitments that have a specific interest rate, selling date, and dollar amount) to sell loans secured by 1-to-4 family residential properties that meet the definition of a derivative contract under ASC Topic 815.

Column B, Foreign Exchange Forwards: Report the gross amount (stated in U.S. dollars) of all forward contracts committing the reporting branch or agency to purchase foreign (non-U.S.) currencies and U.S. dollar exchange and whose predominant risk characteristic is foreign exchange risk.

A forward foreign exchange contract is an agreement for delayed delivery of a foreign (non-U.S.) currency or U.S. dollar exchange in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified amount at a specified exchange rate.

Column C, Equity Derivative Forwards: Report forward contracts committing the reporting branch or agency to purchase or sell equity instruments.

Column D, Commodity and Other Forwards: Report the contract amount for all forward contracts committing the reporting branch or agency to purchase or sell commodities such as agricultural products (e.g., wheat, coffee), precious metals (e.g., gold, platinum), and nonferrous metals (e.g., copper, zinc). Include any other forward contract that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Item 9(c) Exchange-traded option contracts.

Option contracts convey either the right or the obligation, depending upon whether the reporting branch or agency is the purchaser or the writer, respectively, to buy or sell a financial instrument or commodity at a specified price by a specified future date. Some options are traded on organized exchanges.

The buyer of an option contract has, for compensation (such as a fee or premium), acquired the right (or option) to sell to, or purchase from, another party some financial instrument or commodity at a stated price on a specified future date. The seller of the contract has, for such compensation, become obligated to purchase or sell the financial instrument or commodity at the option of the buyer of the contract. A put option contract obligates the seller of the contract to purchase some financial instrument or commodity at the option of the buyer of the contract. A call option contract obligates the seller of the contract to sell some financial instrument or commodity at the option of the buyer of the contract.

Item 9(c)(1) Written options.

Report in this item the aggregate par value of the financial instruments or commodities that the reporting branch or agency has, for compensation (such as a fee or premium), obligated itself to either purchase or sell under exchange-traded option contracts that are outstanding as of the report date.

Column A, Written Exchange-Traded Interest Rate Options: For exchange-traded option contracts obligating the reporting branch or agency to either purchase or sell an interest rate futures contract and whose predominant risk characteristic is interest rate risk, report the par value of the financial instrument underlying the futures contract. An example of such a contract is a Chicago Board Options Exchange option on the 13-week Treasury bill rate.

Column B, Written Exchange-Traded Foreign Exchange Options: Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting branch or agency has, for compensation, obligated itself to either purchase or sell under exchange-traded option contracts whose predominant risk characteristic is foreign exchange risk. In the case of option contracts obligating the reporting branch or agency to either purchase or sell a foreign exchange futures contract, report the gross amount (stated in U.S. dollars) of the foreign (non-U.S.) currency underlying the futures contract. Exchange-traded options on major currencies such as the Japanese Yen, British Pound Sterling and Euro and options on futures contracts of major currencies are examples of such contracts.

Column C, Written Exchange-Traded Equity Derivative Options: Report the contract amount for those exchange-traded option contracts where the reporting branch or agency has obligated itself, for compensation, to purchase or sell an equity instrument or equity index.

Column D, Written Exchange-Traded Commodity and Other Exchange-Traded Options: Report the contract amount for those exchange-traded option contracts where the reporting branch or agency has obligated itself, for compensation, to purchase or sell a commodity or product. Include any other written, exchange-traded option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Item 9(c)(2) Purchased options.

Report in this item the aggregate par value of the financial instruments or commodities that the reporting branch or agency has, for a fee or premium, purchased the right to either purchase or sell under exchange-traded option contracts that are outstanding as of the report date.

Column A, Purchased Exchange-Traded Interest Rate Options: For exchange-traded option contracts giving the reporting branch or agency the right to either purchase or sell an interest rate futures contract and whose predominant risk characteristic is interest rate risk, report the par value of the financial instrument underlying the futures contract. An example of such a contract is a Chicago Board Options Exchange option on the 13-week Treasury bill rate.

Column B, Purchased Exchange-Traded Foreign Exchange Options: Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting branch or agency has, for a fee, purchased the right to either purchase or sell under exchange-traded option contracts whose predominant risk characteristic is foreign exchange risk. In the case of option contracts giving the reporting branch or agency the right to either purchase or sell a currency futures contract, report the gross amount (stated in U.S. dollars) of the foreign (non-U.S.) currency underlying the futures contract. Exchange-traded options on major currencies such as the Japanese Yen, British Pound Sterling and Euro and

options on futures contracts of major currencies are examples of such contracts.

Column C, Purchased Exchange-Traded Equity Derivative Options: Report the contract amount of those exchange-traded option contracts where the reporting branch or agency has, for a fee, purchased the right to purchase or sell an equity instrument or equity index.

Column D, Purchased Exchange-Traded Commodity and Other Exchange-Traded Options: Report the contract amount for those exchange-traded option contracts where the reporting branch or agency has, for a fee or premium, purchased the right to purchase or sell a commodity or product. Include any other purchased, exchange-traded option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Item 9(d) Over-the-counter option contracts.

Option contracts convey either the right or the obligation, depending upon whether the reporting branch or agency is the purchaser or the writer, respectively, to buy or sell a financial instrument or commodity at a specified price by a specified future date. Options can be written to meet the specialized needs of the counterparties to the transaction. These customized option contracts are known as over-the-counter (OTC) options. Thus, over-the-counter option contracts include all option contracts not traded on an organized exchange.

The buyer of an option contract has, for compensation (such as a fee or premium), acquired the right (or option) to sell to, or purchase from, another party some financial instrument or commodity at a stated price on a specified future date. The seller of the contract has, for such compensation, become obligated to purchase or sell the financial instrument or commodity at the option of the buyer of the contract. A put option contract obligates the seller of the contract to purchase some financial instrument or commodity at the option of the buyer of the contract. A call option contract obligates the seller of the contract to sell some financial instrument or commodity at the option of the buyer of the contract.

In addition, swaptions, i.e., options to enter into a swap contract, and contracts known as caps, floors, collars, and corridors should be reported as options. A *cap* is a contract under which the purchaser has, for compensation (such as a fee or premium), acquired the right to receive a payment from the seller if a specified index rate, e.g., LIBOR, rises above a designated strike rate. Payments are based on the principal amount or notional amount of the cap, although no exchange of principal takes place. A *floor* is similar to a cap except that the purchaser has, for compensation (such as a fee or premium), acquired the right to receive a payment from the seller if the specified index rate falls below the strike rate. A *collar* is the simultaneous purchase of a cap (with a strike rate at one index rate) and sale of a floor (with the strike rate at a lower index rate), designed to maintain interest rates within a specified range. The premium income from the sale of the floor reduces or offsets the cost of buying the cap. A *corridor* is the simultaneous purchase of a cap (with a strike rate at one index rate) and sale of a cap (with a strike rate at a higher index rate), designed to reduce the cost of the lower strike cap. The premium income from the sale of one cap reduces or offsets the cost of buying the other cap.

Commitments to lend that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), are considered options for purposes of Schedule L, item 9. All other commitments to lend should be reported in Schedule L, item 1.

Item 9(d)(1) Written options.

Report in this item the aggregate par value of the financial instruments or commodities that the reporting branch or agency has, for compensation (such as a fee or premium), obligated itself to either purchase or sell under OTC option contracts that are outstanding as of the report date. Also report an aggregate notional amount for written caps, floors, and swaptions and for the written portion of collars and corridors.

Column A, Written OTC Interest Rate Options: Interest rate options include options to purchase and sell interest-bearing financial instruments and whose predominant risk characteristic is interest rate risk as well as contracts known as caps, floors, collars, corridors, and swaptions. Include in this item the notional principal amount for interest rate caps and floors that the reporting branch or agency sells. For interest rate collars and corridors, report a notional amount for the

written portion of the contract in Schedule L, item 9(d)(1), column A, and for the purchased portion of the contract in Schedule L, item 9(d)(2), column A.

Column B, Written OTC Foreign Exchange Options: A written currency option contract conveys the obligation to exchange two different currencies at a specified exchange rate. Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting branch or agency has, for compensation, obligated itself to either purchase or sell under OTC option contracts whose predominant risk characteristic is foreign exchange risk.

Column C, Written OTC Equity Derivative Options: Report the contract amount for those OTC option contracts where the reporting branch or agency has obligated itself, for compensation, to purchase or sell an equity instrument or equity index.

Column D, Written OTC Commodity and Other OTC Options: Report the contract amount for those OTC option contracts where the reporting branch or agency has obligated itself, for compensation, to purchase or sell a commodity or product. Include any other written, OTC option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Item 9(d)(2) Purchased options.

Report in this item the aggregate notional value of the financial instruments or commodities that the reporting branch or agency has, for a fee or premium, purchased the right to either purchase or sell under OTC option contracts that are outstanding as of the report date. Also report an aggregate notional amount for purchased caps, floors, and swaptions and for the purchased portion of collars and corridors.

Column A, Purchased OTC Interest Rate Options: Interest rate options include options to purchase and sell interest-bearing financial instruments and whose predominant risk characteristic is interest rate risk as well as contracts known as caps, floors, collars, corridors, and swaptions. Include in this item the notional amount for interest rate caps and floors that the reporting branch or agency purchases. For interest rate collars and corridors, report a notional amount for the written portion of the contract in Schedule L, item 9(d)(1), column A, and for the purchased portion of the contract in Schedule L, item 9(d)(2), column A.

Column B, Purchased OTC Foreign Exchange Options: Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting branch or agency has, for a fee, purchased the right to either purchase or sell under option contracts whose predominant risk characteristic is foreign exchange risk.

Column C, Purchased OTC Equity Derivative Options: Report the contract amount of those OTC option contracts where the reporting branch or agency has, for a fee, purchased the right to purchase or sell an equity instrument or equity index.

Column D, Purchased OTC Commodity and Other OTC Options: Report the contract amount for those option contracts where the reporting branch or agency has, for a fee or premium, purchased the right to purchase or sell a commodity or product. Include any other purchased OTC option that is not reportable as an interest rate, foreign exchange or equity derivative contract in column A, B, or C.

Item 9(e) Swaps.

Swaps are contracts in which two parties agree to exchange payment streams based on a specified notional amount for a specified period. Forward starting swap contracts should be reported as swaps. The notional amount of a swap is the underlying principal amount upon which the exchange of interest, foreign exchange or other income or expense is based. The notional amount to be reported for a swap contract with a multiplier component is the contract's effective notional amount. In those cases where the reporting branch or agency is acting as an intermediary, both sides of the transaction are to be reported.

Column A, Interest Rate Swaps: Report the notional amount of all outstanding interest rate and basis swaps whose predominant risk characteristic is interest rate risk.

Column B, Foreign Exchange Swaps: Report the notional principal amount (stated in U.S. dollars) of all outstanding cross-currency interest rate swaps.

A cross-currency interest rate swap is a contract in which two parties agree to exchange principal amounts of different currencies, usually at the prevailing spot

rate, at the inception of an agreement which lasts for a certain number of years. At defined intervals over the life of the swap, the counterparties exchange payments in the different currencies based on specified rates of interest. When the agreement matures, the principal amounts will be re-exchanged at the same spot rate. The notional amount of a cross-currency interest rate swap is generally the underlying principal amount upon which the exchange is based.

Column C, Equity Swaps: Report the notional amount of all outstanding equity or equity index swaps.

Column D, Commodity and Other Swaps: Report the notional principal amount of all other swap contracts that are not reportable as either interest rate, foreign exchange, or equity derivative contracts in column A, B, or C. The notional amount to be reported for commodity contracts with multiple exchanges of principal is the contractual amount multiplied by the number of remaining payments (or exchanges of principal) in the contract.

Item 10 Total gross notional amount of derivative contracts held for trading.

Report, in the appropriate column, the total notional amount or par value of those derivative contracts in Schedule L, item 9 above that are held for trading purposes. Contracts held for trading purposes include those used in dealing and other trading activities. Derivative instruments used to hedge trading activities should also be reported in this item.

Derivative trading activities include (a) regularly dealing in interest rate contracts, foreign exchange contracts, equity derivative contracts, and other commodity contracts, (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 (or repurchase) in order to profit from short-term price movements, or (c) acquiring or taking positions to make a market for customers.

Item 11 Total gross notional amount of derivative contracts held for purposes other than trading.

Report, in the appropriate column, the total notional amount or par value of those contracts reported in Schedule L, item 9 above, that are held for purposes other than trading.

Item 12 Gross fair values of derivative contracts.

Report in the appropriate column and subitem below the fair value of all derivative contracts reported in Schedule L, items 10 and 11 above. For each of the four types of underlying risk exposure in columns A through D, the gross positive and gross negative fair values will be reported separately for (i) contracts held for trading purposes (in item 12(a)) and (ii) contracts held for purposes other than trading (in item 12(b)). Guidance for reporting by type of underlying risk exposure is provided in the instructions for Schedule L, item 9 above. Guidance for reporting by purpose and accounting methodology is provided in the instructions for Schedule L, items 10 and 11 above.

No netting of contracts is permitted for purposes of this item. Therefore, do not net (1) obligations of the reporting branch or agency to buy against the branch or agency's obligations to sell, (2) written options against purchased options, (3) positive fair values against negative fair values, or (4) contracts subject to bilateral netting agreements.

As defined in ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, "Fair Value Measurements"), fair value is the amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and should be used as the basis for the measurement, if available. If a quoted market price is available, the fair value is the product of the number of trading units times that market price. If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances. The estimate of fair value should consider prices for similar assets or similar liabilities and the results of valuation techniques to the extent available in the circumstances. For purposes of item 12, the reporting branch or agency should determine the fair value of its derivative contracts in the same manner that it determines the fair value of these contracts for other financial reporting purposes.

Item 12(a) Contracts held for trading.

Report in the appropriate column and subitem the gross positive and gross negative fair values of those

contracts held for trading reported in Schedule L, item 10 above.

Item 12(a)(1) Gross positive fair value.

Report in the appropriate column the total fair value of those contracts in Schedule L, item 10 above with positive fair values.

Item 12(a)(2) Gross negative fair value.

Report in the appropriate column the total fair value of those contracts in Schedule L, item 10 above with negative fair values. ***Report the total fair value as an absolute value, do*** **not** ***enclose the total fair value in parentheses or use a minus (−) sign.***

Item 12(b) Contracts held for purposes other than trading.

Report in the appropriate column and subitem the gross positive and gross negative fair values of those contracts held for purposes other than trading that are reported in Schedule L, item 11 above.

Item 12(b)(1) Gross positive fair value.

Report in the appropriate column the total fair value of those contracts in Schedule L, item 11 above with positive fair values.

Item 12(b)(2) Gross negative fair value.

Report in the appropriate column the total fair value of those contracts in Schedule L, item 11 above with negative fair values.***Report the total fair value as an absolute value, do*** **not** ***enclose the total fair value in parentheses or use a minus (−) sign.***

INSTRUCTIONS FOR THE PREPARATION OF

Due from/Due to Related Institutions in the U.S. and in Foreign Countries
Schedule M

General Instructions

Schedule M covers transactions of the reporting branch or agency with *related* institutions, both in the U.S. and in foreign countries. (For the definition of "related institutions," see the entry for "related institutions" in the Glossary section of these Instructions.) Parts I and II of the schedule deal with due from/due to relationships of the reporting branch or agency, including its IBF, with related *depository* institutions (with Part I covering such relationships of the entire reporting branch or agency *including* its IBF and Part II covering *only* those of its IBF). Part III deals with the transactions of the reporting institution (including its IBF) with related *nondepository* institutions. Part IV, item 1, reflects the amount of the general allowance for loan losses, or, for institutions that have adopted ASU 2016-13, which governs the accounting for credit losses, the allowances for credit losses on financial assets, as applicable, if any, carried on the books of the reporting branch or agency, including its IBF. Part IV, item 2, reflects the amount of other real estate owned. Although this information does not relate specifically to due from/due to transactions, it is collected in Schedule M as confidential information. Part V collects data on derivatives and off-balance sheet items with related *depository* institutions.

Parts I, II, and III require the reporting of the due from/due to relationships on a gross basis, i.e., without netting due from and due to items against each other.

The detail required in Parts I, II, and III is by location and type of related institution, *not* by type of claim or liability. In the information required on the schedule, a distinction is made between related institutions "domiciled in the United States" and those "domiciled outside the United States." For purposes of this schedule (and only this schedule), domiciled in the United States means offices domiciled in the 50 states of the United States and the District of Columbia; domiciled outside the United States (non-U.S.) means offices domiciled in a foreign country, in Puerto Rico, or in a U.S. territory or possession.

All of the items in this schedule require the reporting of amounts outstanding as of the report date, with the exception of Memoranda items 1(a) and 1(b) in Part I, which call for averages of daily amounts outstanding during the preceding quarter.

All individual branch or agency data reported on this schedule are regarded as confidential by the Federal Financial Institutions Examination Council.

Instructions for Part I

Part I covers the gross due from/due to relationships of the reporting institution (including its IBF) with its head office and other related *depository* institutions (including any related U.S. bank's nondepository subsidiaries that are consolidated on the related U.S. bank's Consolidated Report of Condition) both in the U.S. and in foreign countries. *Exclude* from Part I transactions between the reporting branch or agency and its own IBF (report in Part II, item 2).

The scope of Part I is determined by the scope of the *net* due from/due to items that are shown in column A of Schedule RAL—Asset item 2(a) or Liability item 5(a). That is, report on the appropriate lines of Part I all the gross due from relationships (column A) and all the gross due to relationships (column B) with related *depository* institutions that are reflected in Schedule RAL in Asset item 2(a), column A (Net due from related depository institutions) or in Liability item 5(a), column A (Net due to related depository institutions). Include all such due from and due to items regardless of how they arose and regardless of the nature of any instrument involved. Thus, the gross

due from and gross due to items to be reported will include claims *between* the reporting branch or agency and any related depository institutions arising in connection with:

(1) deposits of any kind;

(2) loans and borrowings of any kind;

(3) overdrafts, federal funds and repurchase and resale agreements;

(4) claims resulting from clearing activities, foreign exchange transactions, bankers acceptance transactions (see Glossary entry for "bankers acceptances"), and other activities;

(5) capital flows and contributions;

(6) gross unremitted profits and any accounting or regulatory allocation entered on the books of the reporting branch or agency (or its IBF) that ultimately affect unremitted profits such as statutory or regulatory capital requirements, reserve accounts, net unrealized gains or losses on available-for-sale securities, accumulated gains (losses) on cash flow hedges, and allowance for loan losses or, for institutions that have adopted ASU 2016-13, allowances for credit losses, and any provision for income taxes if the branch or agency pays U.S. income taxes on behalf of their parent (See the Glossary entry for "U.S. income taxes");

NOTE: Consistent with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), intercompany derivatives between a U.S. branch or agency and a related party, including the reporting branch or agency's parent bank, may qualify for hedge accounting if it meets the criteria outlined in ASC Topic 815.

(7) accrued interest receivable and payable;

(8) fair value of derivatives; and

(9) any other transactions or entries (including on-balance sheet debit and credit amounts associated with off-balance sheet items) resulting in claims between the reporting branch or agency (including its IBF) and its head office and other related depository institutions.

The coverage and reporting of the *gross* due from items and the *gross* due to items *must* be such that their *net* amount as calculated and reported on item 4 of Part I equals the entry for net due from or for net due to, as appropriate, as calculated from Schedule RAL and reported on item 2(a), column A, or item 5(a), column A, of Schedule RAL.

Item Instructions for Part I

Items 1 and 2

The gross due from and gross due to relations with related depository institutions are to be reported on items 1 and 2 of Part I with detail by location and type of the related depository institutions. Separate reporting of such relations with related institutions domiciled in the U.S. and with those domiciled outside the U.S. is required in items 1 and 2: *item 1* (and its subitems) requires reporting of such relations with offices "domiciled in the United States" of related depository institutions; *item 2* (and its subitems) requires reporting of such relations with offices "domiciled outside the United States" (non-U.S.) of related depository institutions.

Include in items 1 and 2, as appropriate, the fair value of all derivatives with related depository institutions. Report positive values in column A, negative values in column B.

The reporting in item 1 of gross due from and gross due to relations with *related depository institutions domiciled in the United States* (item 1) is further divided into two parts:

Item 1(a)

Item 1(a) covers such relations with **related branches and agencies in the U.S. (including their IBFs).** For purposes of this schedule, "related branches and agencies in the U.S." includes:

(1) other U.S. branches and agencies of the reporting branch or agency's parent foreign bank, and

(2) U.S. branches and agencies of other related foreign banks.

Item 1(a) is further subdivided into two geographic components—

Item 1(a)(1) Related branches and agencies in the U.S. domiciled *in the same state as the reporting office*; and

Item 1(a)(2) Related branches and agencies in the U.S. domiciled *in other states*.

Item 1(b)

Item 1(b) covers the gross due from/due to relations with **offices in the U.S. of other related U.S. depository institutions (including their IBFs)**. The related U.S. depository institutions include related U.S. banks (including U.S.-domiciled *offices* of *nondepository* subsidiaries of related banks that are consolidated on the related U.S. banks' Consolidated Report of Condition), Edge and Agreement subsidiaries of related banks (both U.S. and non-U.S.), and related New York State (Article XII) investment companies. (Transactions with related U.S. banks' offices (both branches and depository subsidiaries) that are in foreign countries, Puerto Rico, and U.S. territories and possessions and transactions with non-U.S. branches and subsidiaries of related Edge and Agreement corporations and with non-U.S. offices of related New York investment companies are to be reported in item 2(c))

The reporting in item 2 of gross due from and gross due to relations with non-U.S. domiciled offices of *related depository institutions* is further divided into three parts:

Item 2(a)

Item 2(a) covers such relations with the **head office of the parent bank** of the reporting branch or agency, including unremitted profits and losses. Unremitted profits and losses should be netted and, if a net profit, reported in column B of this item or, if a net loss, reported as an adjustment to any capital contribution received from the foreign bank parent that is reported in column B. However, if the net unremitted loss exceeds the capital contribution, report the amount of the net loss in excess of the capital contribution in column A. Also include any general allowance established for loan losses (specific reserves should be netted from individual loans) and any provision for income taxes if the branch or agency pays U.S. income taxes on behalf of their parent (See the Glossary entry for U.S. income taxes").

Institutions that have adopted ASU 2016-13, which governs the accounting for credit losses, report the allowances for credit losses, as applicable, in column B. If an institution chooses to establish them, the allowances for credit losses reportable in this item could apply to loans, leases, other financial assets measured at amortized cost and off-balance sheet credit exposures (but not available-for-sale securities, which are reported at fair value on Schedule RAL).

Item 2(b)

Item 2(b) covers such relations with the **non-U.S. branches and agencies of the parent bank of the reporting branch or agency**. Item 2(b) is further sub-divided into two geographic components—

Item 2(b)(1) Offices of the parent bank in the Caribbean.

Item 2(b)(1) includes offices domiciled in Puerto Rico and the U.S. territories and possessions located in the Caribbean; and

Item 2(b)(2) Other non-U.S. offices of the parent bank.

Item 2(b)(2) includes those offices of the parent bank domiciled in foreign countries outside the Caribbean and in U.S. territories and possessions outside the Caribbean.

Item 2(c)

Item 2(c) covers such relations with **other non-U.S. offices of related depository institutions**, including offices in Puerto Rico and the U.S. territories and possessions; that is, all non-U.S. offices of related depository institutions *other than* the reporting branch or agency's head office (reported in item 2(a)) and its branches and agencies (reported in item 2(b)). Transactions with foreign, Puerto Rican, and U.S. territorial branches and depository subsidiaries of related U.S. banks, of related Edge and Agreement corporations, and of related New York State (Article XII) investment companies are also to be reported in this item.

Also report in item 2(c) transactions with the foreign-domiciled offices of those U.S. nondepository subsidiaries of related U.S. banks that are consolidated in the related U.S. bank's Consolidated Report of Condition. Transactions with related U.S. banks' nondepository subsidiaries that are domiciled outside the U.S. that are *not* consolidated in the U.S. bank's Consolidated Report of Condition are excluded entirely from Part I of Schedule M since such subsidiaries are treated simi-

larly to unrelated institutions and are not reflected in items 2(a) or 5(a) of Schedule RAL (net due from or net due to related depository institutions).

Item 3 Total.

Report, in columns A and B, the sums of the amounts reported for the preceding items as indicated on the form.

Item 4 Net due from head office and other related depository institutions.

Report the difference between columns A and B on item 3 above (i.e., item 3, column A, *minus* item 3, column B). Item 4 can be either positive or negative; if negative, a minus sign (2) must be entered preceding the amount. The reporting branch or agency's net due from or net due to position vis-à-vis its head office and other related depository institutions as given by the difference reported on item 4 *must* equal the net due from or net due to position given in Schedule RAL, item 2(a) or item 5(a), as appropriate. If these Schedule RAL and Schedule M net amounts are not the same, the coverage and reporting of transactions with related depository institutions on items 1 and 2 of Schedule M has not been consistent with the reporting of items in Column A of Schedule RAL and must be corrected to make them consistent.

Memoranda

Item M1 Average of daily (or weekly) amounts for the quarter ending with the report date.

Report in the appropriate subitem and appropriate column the quarterly average gross balances due from and gross balances due to related depository institutions. The reporter is given the option, as in Schedule K, of reporting either (1) an average of the daily figures for the preceding calendar quarter ending with the report date or(2) an average of weekly figures (i.e., the Wednesday of each week of the preceding quarter). The figures to be averaged are the amounts outstanding at the close of business for each day, or each Wednesday. For those days when the branch or agency is not open for business (e.g., Saturdays, Sundays or holidays), use the figure from the preceding business day. An office is considered closed if there are no transactions posted to the general ledger as of that date. If the amounts to be averaged are maintained in a currency other than U.S. dollars, the average should be calculated for the amounts stated in that currency and then the average so calculated should be converted to U.S. dollars at the exchange rate used for other items on the report.

The averages are to be reported separately for:

Item M1(a) Related depository offices domiciled in the U.S.

Item M1(a) corresponds to item 1 of Part I above, and

Item M1(b) Related depository offices domiciled outside the U.S.

Item M1(b) corresponds to item 2 in Part I above.

Item M2 Sum of those parts of the amounts reported in items 1(b) and 2(c) in Part I above that are with related depository subsidiaries that are wholly-owned by the reporting branch or agency's parent bank or bank holding company.

Item M3 Trading assets and liabilities, related parties.

Report in the appropriate column the amounts of trading assets and trading liabilities included in the gross due from and gross due to related depository institutions in item 3 of Part I above. Include in columns A and B the amounts of revaluation gains (assets) and revaluation losses (liabilities), respectively, from the "marking to market" of derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the "marking to market" of the reporting branch or agency's derivative contracts with the same counterparty that meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts"), (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis in this Memorandum item.

Instructions for Part II

Part II covers the due from/due to relationships of the IBF of the reporting institution with related depository institutions. Separate reporting is required, in item 1 of Part II, for the *gross* due from/due to relationships with related depository institutions *other than* the IBF's establishing entity (the reporting branch or

agency) and, in item 2, for the *net* due from position of the reporting institution's IBF vis-à-vis the establishing entity.

Item Instructions for Part II

Item 1

Within item 1, the gross due from and gross due to relations of the reporting institution's IBF with related depository institutions *other than* its establishing entity are to be reported with detail by location and type of related depository institution in items 1(a) and 1(b). The amounts reported in the appropriate subitems and appropriate columns of items 1(a) and 1(b) of Part II are the IBF components of the corresponding items and columns of Part I of the schedule, which covers the transactions of this type for the entire reporting institution *including* its IBF.

Item 1(a) IBF transactions with the IBFs of related depository institutions domiciled in the U.S.

The only type of institution domiciled in the 50 States of the United States and the District of Columbia that an IBF can have transactions with is, by law and regulation, another IBF.

Item 1(b) IBF transactions with related depository institutions domiciled outside the U.S.

The reporting of these transactions is further subdivided into:

Item 1(b)(1) Head office of parent bank; and

Item 1(b)(2) Non-U.S. branches and agencies of the parent bank.

Item 1(b)(2) is further subdivided in reporting into:

Item 1(b)(2)(a) Offices in the Caribbean, and

Item 1(b)(2)(b) Other offices.

Item 1(b)(3) Other related depository institutions domiciled outside the U.S.

Item 1(c) Total.

Report in columns A and B the sums of the amounts reported for the preceding items of Part II as indicated on the form.

Item 1(d) IBF net due from related depository institutions in the U.S. and in foreign countries other than its establishing entity.

Report the difference between columns A and B on item 1(c) above (i.e., item 1(d), column A, *minus* item 1(c), column B). Item 1(d) can be either positive or negative; if negative, a minus sign (−) must be entered preceding the amount.

Item 2 IBF net due from establishing entity.

Report the net amount due from the IBF's establishing entity (i.e., from the reporting institution) to the IBF. (This item is the only item in Schedule M in which transactions between the reporting branch or agency and its own IBF are reported.) This amount must be derived from the accounts of the reporting institution's IBF by subtracting the sum of the IBF's permissible assets, *including* claims on related institutions other than the reporting branch or agency, from the sum of the IBF's permissible liabilities, *including* liabilities to related institutions *other than* the reporting branch or agency. (Since the individual asset and liability items in column B of Schedule RAL *exclude* claims on or by related depository institutions, Schedule RAL, column B, *cannot* be used to derive this item.) Item 2 can be either positive or negative; if negative, a minus sign (−) must be entered preceding the amount. (This net position between the reporting branch or agency and its own IBF is *not* included in Part I above.)

Item 3 IBF net due from all related depository institutions (including its establishing entity).

Report the sum of the amounts (with the correct signs) in items 1(d) and 2. Item 3 can be either positive or negative; if negative, a minus sign (−) must be entered preceding the amount. The net due from or net due to position of the reporting institution's IBF vis-à-vis related depository institutions (including its establishing entity), as given by the amount reported on item 3, *must* equal the net due from or net due to position in Schedule RAL, item 2(b) or item 5(b), as appropriate. If these corresponding Schedule RAL and Schedule M net amounts are not the same, the coverage and reporting of transactions with related depository institutions on items 1(a) and 1(b) of Schedule M, Part II, and/or the calculation of the IBF net due from establishing entity as reported in item 2 of Part II have not been consistent with the reporting of items in column B of

Schedule RAL and must be corrected to make them consistent.

Instructions for Part III

Part III covers the gross due from/due to relationships of the reporting institution (including its IBF) with related *nondepository* majority-owned subsidiaries (both in the U.S. and in foreign countries and both direct and indirect) of the reporting institution's parent bank or of its bank holding company.

(The activities of these related nondepository majority-owned subsidiaries should also be included in Schedule RAL and related schedules.) Exclude from Part III any transactions with related U.S. banks' nondepository subsidiaries that are consolidated in the related U.S. banks' Consolidated Report of Condition. The amounts for transactions with related nondepository institutions that are to be reported in Part III are components of amounts reported on the individual line items of Schedule RAL *other than* items 2(a) and 5(a) of Schedule RAL (which the reporting institution's net due from/due to relationship with related *depository* institutions).

The gross due from and gross due to relations with related nondepository institutions are required to be reported with a breakdown between:

Item Instructions for Part III

Item 1 Related nondepository majority-owned subsidiaries in the U.S.; and,

Item 2 Related nondepository majority-owned subsidiaries in foreign countries.

Memorandum

Item M1

Part III also requires the reporting of gross due from/due to relations with those related nondepository subsidiaries included in items 1 and 2 of Part III that are wholly-owned, directly or indirectly, by the reporting institution's parent bank or by its bank holding company.

Item Instructions for Part IV

Item 1 Amount of allowance for loan losses, if any, carried on the books of the reporting branch or agency including its IBF.

If the reporting branch or agency chooses to establish a general allowance for loan losses,[1] it can do so by establishing a separate account which should be included in the amount reported in Schedule M, Part I, item 2(a), column B. Report in this item the total amount of the allowance carried on the books of the reporting institution, even if part of that allowance is applicable to other branches. If no allowance is carried on the books of the reporting institution, report a zero or the word "none," even if an allowance applicable to the loans of the reporting institution is carried on the books of the head office of the parent bank or of another branch. *Exclude* specific reserves on loans.

Institutions that have adopted ASU 2016-13, which governs the accounting for credit losses, report the allowance for credit losses on loans and leases, as applicable, in item 1.

Item 2 Other real estate owned.

Report the net book value of all other real estate owned. (NOTE: This information does not relate to due from/due to related depository institutions transactions.) *Include* as all other real estate owned:

(1) Foreclosed real estate, i.e.,

(a) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the branch or agency has not yet received title to the property.

(b) Real estate collateral underlying a loan when the branch or agency has obtained physical possession of the collateral, regardless of whether formal foreclosure proceedings have been instituted against the borrower.

Foreclosed real estate received in full or partial satisfaction of a loan should be recorded at the fair value

1. Institutions that have adopted ASU 2016-13 should report the allowance for credit losses on loans and leases.

less cost to sell of the property at the time of foreclosure. This amount becomes the *"cost"* of the foreclosed real estate. When foreclosed real estate is received in full satisfaction of a loan, the amount, if any, by which the recorded amount of the loan exceeds the fair value less cost to sell of the property is a loss which must be charged to the allowance for loan and lease losses at the time of foreclosure. The amount of any senior debt (principal and accrued interest) to which foreclosed real estate is subject at the time of foreclosure must be reported as a liability in Schedule RAL, item 4(c), "Other borrowed money."

After foreclosure, each foreclosed real estate asset must be carried at the lower of (1) the fair value of the asset minus the estimated costs to sell the asset or (2) the cost of the asset (as defined in the preceding paragraph). This determination must be made on an asset-by-asset basis. If the fair value of a foreclosed real estate asset minus the estimated costs to sell the asset is less than the asset's cost, the deficiency must be recognized as a valuation allowance against the asset which is created through a charge to expense. The valuation allowance should thereafter be increased or decreased (but not below zero) through charges or credits to expense for changes in the asset's fair value or estimated selling costs.

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

(3) Foreclosed real estate sold under contract and accounted for under the deposit method of accounting in accordance with ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales (formerly FASB Statement No. 66, "Accounting for Sales of Real Estate"). Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion method of accounting under ASC Subtopic 360-20 is being used to account for the sale, the receivable resulting from the sale of the foreclosed real estate should be reported as a loan in Schedule C and any gain on the sale should be recognized in accordance with ASC Subtopic 360-20.

Property formerly but no longer used for banking may be reported in this item as "Other real estate owned." In addition, regardless of whether such property is reported in this item, it should be reported in Schedule RAL, item 1(h), "Other assets including other claims on non-related parties."

Item Instructions for Part V

The amounts reported in Part V are for the reporting branch or agency *including* its IBF, if any. Except for derivative transactions with related depository institutions, transactions that are reportable in Schedule RAL or in Parts I through III of Schedule M are not to be reported in this part of Schedule M. Also exclude from Part V: commitments not yet drawn down under retail credit cards, check credit, and related plans; and contingencies arising in connection with litigation.

Exclude all transactions with unrelated parties, including unrelated depository institutions, and related nondepository institutions. Report off-balance sheet transactions with unrelated parties and related nondepository institutions in Schedule L.

Item 1 Commitments to make or purchase loans.

Report the *unused* portions of commitments that obligate the reporting branch or agency, including its IBF, to extend credit to related depository institutions in the form of loans or participations in loans, lease financing receivables, or similar transactions. *Exclude* commitments that obligate the reporting branch or agency to extend credit in the form of retail credit cards, check credit, and related plans. Also exclude commitments that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), which should be reported in Schedule M, Part V, item 9.

Report only those commitments to related depository institutions for which the reporting branch or agency, including its IBF, has charged a commitment fee or other consideration, or otherwise has a legally binding

commitment. Such commitments are to be reported regardless of whether they contain "material adverse change" clauses or other provisions that are intended to relieve the issuer of its funding obligations under certain conditions and regardless of whether they are unconditionally cancellable at any time. In the case of commitments for syndicated loans or participated loans, report only the branch or agency's (or IBF's) proportional share of the commitment.

Include loan proceeds that the branch or agency, including its IBF, is obligated to advance to related depository institutions.

Item 2 Spot foreign exchange contracts.

Report the gross amount (stated in U.S. dollars) of all spot contracts with related depository institutions committing the reporting branch or agency to purchase foreign (non-U.S.) currencies and U.S. dollar exchange that are outstanding as of the report date.

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

Only one side of a spot foreign exchange contract is to be reported. In those transactions where foreign (non-U.S.) currencies are bought or sold against U.S. dollars, report only that side of the transaction that involves the foreign (non-U.S.) currency. For example, if the reporting branch or agency enters into a spot contract which obligates the branch or agency to purchase U.S. dollar exchange against which it sells Japanese yen, then the branch or agency would report (in U.S. dollar equivalent values) the amount of Japanese yen sold in this item. In cross-currency spot foreign exchange transactions, which involve the purchase and sale of two non-U.S. currencies, only the purchase side is to be reported (in U.S. dollar equivalent values).

Item 3 Total standby letters of credit.

Report the total amount outstanding *and* unused as of the report date of all standby letters of credit (and all legally binding commitments to issue standby letters of credit) issued to related depository institutions that have been originated by the reporting branch or agency, including its IBF, or acquired from others.

Include those standby letters of credit that are collateralized by cash on deposit and those in which participations have been conveyed to others where (a) the originating branch or agency, including its IBF, is obligated to pay the full amount of any draft drawn under the terms of the standby letter of credit and (b) the participating institutions have an obligation to partially or wholly reimburse the originating branch or agency, including its IBF, either directly in cash or through a participation in a loan to the account party. Branches or agencies, including their IBFs, participating in standby letters of credit issued to related depository institutions must report the full amount of their contingent liabilities to participate in such standby letters of credit without deducting any amounts that they may have reparticipated to others. (See the Glossary entry for "letter of credit" for the definition of standby letter of credit.)

Include standby letters of credit issued by the reporting branch or agency to related depository institutions that insure the timely payment of principal and interest on debt issuances.

For syndicated standby letters of credit issued to related depository institutions where each institution or branch or agency has a direct obligation to the beneficiary, each financial institution must report only its share in the syndication. Similarly, if several financial institutions participate in the issuance of a standby letter of credit to a related depository institution under a *bona fide* binding agreement which provides that (a) regardless of any event, each participant shall be liable only up to a certain percentage or to a certain amount and (b) the beneficiary is advised and has agreed that each participant is only liable for a certain portion of the entire amount, each bank or branch or agency shall report only its proportional share of the total standby letter of credit.

For a standby letter of credit issued to a related depository institution that is in turn backed by a standby letter of credit issued by another bank, each branch or agency, including its IBF, must report the entire amount of the standby letter of credit it has issued to the related depository institution in this item.

Exclude from standby letters of credit signature or endorsement guarantees issued to related depository institutions that are of the type associated with the

clearing of negotiable instruments or securities in the normal course of business.

Item 4 Commercial and similar letters of credit.

Report the amount outstanding *and* unused as of the report date of issued or confirmed commercial letters of credit, travelers' letters of credit *not issued* for money or its equivalent, and all similar letters of credit issued to related depository institutions, *but excluding standby letters of credit* issued to related depository institutions (which are to be reported in item 3 above). (See the Glossary entry for "letter of credit.")

Travelers' letters of credit or other letters of credit *issued* to related depository institutions for money or its equivalent by the reporting branch or agency or its agents should be included in the calculation of the "Net due from/due to related depository institutions," items 2 and 5 of Schedule RAL.

Item 5 Not applicable.

Item 6 Credit derivatives

Report in the appropriate subitem and column the notional amount and fair value of all credit derivatives. In general, credit derivatives are arrangements that allow one party (the "beneficiary") to transfer the credit risk of a "reference asset" or "reference entity" to another party (the "guarantor"). Branches and agencies should report the notional amounts of credit derivatives by type of instrument in Schedule M, items 6.a.(1) through 6.a.(4). Branches and agencies should report the gross positive and negative fair values of all credit derivatives in Schedule M, items 6.b.(1) and 6.b.(2). For both the notional amounts and gross fair values, report credit derivatives for which the branch or agency is the guarantor in column A and those on which the branch or agency is the beneficiary in column B.

No netting of contracts is permitted for purposes of this item. Therefore, do not net the notional or fair value of: (1) credit derivatives with related parties on which the reporting branch or agency is the beneficiary against credit derivatives with related parties on which the reporting branch or agency is the guarantor, or (2) contracts subject to bilateral netting agreements. The notional amount of credit derivatives should not be included in Schedule M, items 9 through 11, and the fair value of credit derivatives should not be included in Schedule M, item 12.

Item 6.a Notional amounts

Report in the appropriate subitem and column the notional amount (stated in U.S. dollars) of all credit derivatives. For tranched credit derivative transactions that relate to an index, e.g., the Dow Jones CDX NA index, report as the notional amount the dollar amount of the tranche upon which the reporting branch or agency's credit derivative cash flows are based.

Item 6.a.(1) Credit default swaps.

Report in the appropriate column the notional amount of all credit default swaps. A credit default swap is a contract in which a guarantor (risk taker), for a fee, agrees to reimburse a beneficiary (risk hedger) for any losses that occur due to a credit event on a particular entity, called the "reference entity." If there is no credit default event (as defined by the derivative contract), then the guarantor makes no payments to the beneficiary and receives only the contractually specified fee. Under standard industry definitions, a credit event is normally defined to include bankruptcy, failure to pay, and restructuring. Other potential credit events include obligation acceleration, obligation default, and repudiation/ moratorium.

Item 6.a.(2) Total return swaps.

Report in the appropriate column the notional amount of all total return swaps. A total return swap transfers the total economic performance of a reference asset, which includes all associated cash flows, as well as capital appreciation or depreciation. The protection buyer receives a floating rate of interest and any depreciation on the reference asset from the protection seller.

The protection seller (guarantor) has the opposite profile. The guarantor receives cash flows on the reference asset, plus any appreciation, and it pays any depreciation to the beneficiary, plus a floating interest rate. A total return swap may terminate upon a default of the reference asset.

Item 6.a.(3) Credit options.

Report in the appropriate column the notional amount of all credit options. A credit option is a structure that allows investors to trade or hedge changes in the credit

quality of the reference asset. For example, in a credit spread option, the option writer (guarantor) assumes the obligation to purchase or sell the reference asset at a specified "strike" spread level. The option purchaser (beneficiary) buys the right to sell the reference asset to, or purchase it from, the option writer at the strike spread level.

Item 6.a.(4) Other credit derivatives.

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

Item 6.b Gross fair values.

Report in the appropriate subitem and column the gross fair values of all credit derivatives. As defined in ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, "Fair Value Measurements"), fair value is the amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and should be used as the basis for the measurement, if available. If a quoted market price is available, the fair value is the product of the number of trading units times that market price. If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances. The estimate of fair value should consider prices for similar assets or similar liabilities and the results of valuation techniques to the extent available in the circumstances. For purposes of this item, the reporting branch or agency should determine the fair value of its credit derivative contracts in the same manner that it determines the fair value of these contracts for other financial reporting purposes.

Item 6.b.(1) Gross positive fair value.

Report in the appropriate column the total fair value of those credit derivatives reported in Schedule M, items 6.a.(1) through 6.a.(4), above, with positive fair values.

Item 6.b.(2) Gross negative fair value.

Report in the appropriate column the total fair value of those credit derivatives reported in Schedule M, items 6.a.(1) through 6.a.(4), above, with negative fair values. Report the total fair value as an absolute value; do not enclose the total fair value in parentheses or use a minus (–) sign.

Item 7 All other off-balance sheet contingent liabilities to related depository institutions greater than or equal to 1/2 percent of total claims on related depository institutions as reported in Schedule M, Part I, Item 3, Column A.

Report all significant types of off-balance sheet contingent liabilities to related depository institutions not covered in other items in Part V of this schedule.

Report only the aggregate amount of those types of "other off-balance sheet contingent liabilities" to related depository institutions that individually equal or exceed one half percent of the reporting institution's total claims on related depository institutions (Schedule M, Part I, item 3, column A). If the branch or agency has no types of "other off-balance sheet contingent liabilities" to related depository institutions that individually equal or exceed one half percent of total claims on related depository institutions, report a zero or the word "none."

In addition, itemize with clear but concise captions those types of "other off-balance sheet contingent liabilities" to related depository institutions reportable in this item that individually equal or exceed one percent of the institution's total claims on related depository institutions (Schedule M, Part I, item 3, column A). Enter such items in the inset boxes provided.

Include as "other off-balance sheet contingent liabilities" to related depository institutions:

(1) The unsold portion of the reporting branch or agency's own takedown in syndicated securities under-writing transactions in which the borrower is a related depository institution, including revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements. These are facilities under which a borrower can issue on a revolving basis short-term paper in its own name, but for which the underwriting institutions have a legally binding commitment either to purchase any notes the borrower is unable to sell by the roll-over date or to advance funds to the borrower.

(2) Letters of indemnity, other than those issued in connection with the replacement of lost or stolen official checks, where the party being indemnified is a related depository institution.

(3) Shipside or dockside guarantees or similar guarantees relating to missing bills-of-lading or title documents and other document guarantees that facilitate the replacement of lost or destroyed documents and negotiable instruments where the party being guaranteed is a related depository institution.

(4) Securities borrowed against collateral (other than cash), or on an uncollateralized basis, from related depository institutions. For borrowed securities that are fully collateralized by similar securities of equivalent value, report the market value of the borrowed securities at the time they were borrowed. For other borrowed securities, report their market value as of the report date.

(5) Commitments to purchase when-issued securities from related depository institutions that are excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended) (and therefore not reported as forward contracts in Schedule M, Part V, item 9(b) below).

(6) Risk participations that the reporting branch or agency has acquired in acceptances of related (accepting) depository institutions.

(7) Financial guarantees issued by the reporting branch or agency to related depository institutions that insure the timely payment of principal and interest on debt issuances.

Exclude from "other off-balance sheet contingent liabilities" to related depository institutions:

(1) All liabilities to related depository institutions which are required to be reported in Schedule RAL as part of the reporting institution net due from/due to relationship with related depository institutions, such as repurchase agreements with related depository institutions.

(2) Commitments to related depository institutions to purchase property being acquired for lease to others (report in Schedule L, item 1, above).

(3) Contingent liabilities arising in connection with litigation in which the reporting branch or agency, including its IBF, is involved.

(4) Any unused portion of retail credit cards, check credit, and related plans.

(5) Signature or endorsement guarantees of the type associated with the regular clearing of negotiable instruments or securities in the normal course of business.

(6) Commitments to sell foreign currencies and U.S. dollar exchange (spot and forward) to related depository institutions.

Item 8 All other off-balance sheet contingent claims (assets) on related depository institutions greater than or equal to 1/2 percent of total claims on related depository institutions as reported on Schedule M, Part I, item 3, column A.

Report to the extent feasible and practicable all significant types of off-balance sheet contingent claims (assets) on related depository institutions not covered in other items in Part V of this schedule. Exclude all items which are required to be reported as claims on related depository institutions in Schedule RAL as part of the reporting institution net due from/due to relationship with related depository institutions, such as resale agreements with related depository institutions, and assets held in or administered by the reporting branch or agency's trust department.

Report only the aggregate amount of those types of "other off-balance sheet contingent claims" on related depository institutions that individually equal or exceed one half percent of the reporting institution's total claims on related depository institutions (Schedule M, Part I, item 3, column A). If the branch or agency has no types of "other off-balance sheet contingent claims" on related depository institutions that individually equal or exceed one half percent of total claims on related depository institutions, report a zero or the word "none."

In addition, itemize with clear but concise captions those types of "other off-balance sheet contingent claims" on related depository institutions reportable in this item that individually equal or exceed one percent of the institution's total claims on related depository

institutions (Schedule M, Part I, item 3, column A). Enter such items in the inset boxes provided.

Include as "other off-balance sheet contingent claims" such items as (1) securities lent to related depository institutions against collateral (other than cash) or on an uncollateralized basis, and (2) commitments to sell when-issued securities to related depository institutions, that are excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended) (and therefore not reported as forward contracts in Schedule M, Part V, item 9(b) below).

Item 9 Gross amounts (e.g., notional amounts) of derivatives.

Report in the appropriate column and subitem the gross par value (stated in U.S. dollars) (e.g., for futures, forwards, and option contracts) or the notional amount (stated in U.S. dollars) (e.g., for forward rate agreements and swaps), as appropriate, of all contracts between the reporting branch or agency and related depository institutions that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended). Report the contract according to its underlying risk exposure: interest rate, foreign exchange, equity, and commodity and other. Contracts with multiple risk characteristics should be classified based upon the predominant risk characteristics at the origination of the derivative. However, exclude all credit derivatives with related depository institutions, which should be reported in Schedule M, Part V, Memorandum items 1 or 2.

The notional amount to be reported for a derivative contract with a multiplier component is the contract's effective notional amount. For example, a swap contract with a stated notional amount of $1,000,000 whose terms called for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.

Consistent with ASC Topic 815, intercompany derivatives between a U.S. branch or agency and a related party, including the reporting branch or agency's parent bank, may qualify for hedge accounting if it meets the criteria outlined in the guidance.

No netting of contracts with related depository institutions is permitted for purposes of this item. Therefore, do not net: (1) obligations of the reporting branch or agency to purchase from third parties against the branch or agency's obligations to sell to third parties, (2) written options against purchased options, or (3) contracts subject to bilateral netting agreements.

For each column, the sum of items 9(a) through 9(e) must equal the sum of items 10 and 11.

Column Instructions

Column A, Interest Rate Contracts: Interest rate contracts are contracts related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). These contracts are generally used to adjust the branch or agency's interest rate exposure or, if the branch or agency is an intermediary, the interest rate exposure of others. Interest rate contracts include interest rate futures, single currency interest rate swaps, basis swaps, forward rate agreements, and interest rate options, including caps, floors, collars, and corridors.

Exclude contracts involving the exchange of one or more foreign currencies (e.g., cross-currency swaps and currency options) and other contracts whose predominant risk characteristic is foreign exchange risk, which are to be reported in column B as foreign exchange contracts.

Unsettled securities transactions that exceed the regular way settlement time limit that is customary in each relevant market must be reported as forward contracts in Schedule M, Part V, item 9(b).

Column B, Foreign Exchange Contracts: Foreign exchange contracts are contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange in the forward market, i.e., on an organized exchange or in an over-the-counter market. A purchase of U.S. dollar exchange is equivalent to a sale of foreign currency. Foreign exchange contracts include cross-currency interest rate swaps where there is an exchange of principal, forward foreign exchange contracts (usually settling three or more business days from trade date), and currency futures and currency options. Exclude spot

foreign exchange contracts which are to be reported in Schedule M, Part V, item 2.

Only one side of a foreign currency transaction is to be reported. In those transactions where foreign (non-U.S.) currencies are bought or sold against U.S. dollars, report only that side of the transaction that involves the foreign (non-U.S.) currency. For example, if the reporting branch or agency enters into a futures contract which obligates the branch or agency to purchase U.S. dollar exchange against which it sells Japanese yen, then the branch or agency would report (in U.S. dollar equivalent values) the amount of Japanese yen sold in Schedule M, Part V, item 9(a). In cross-currency transactions, which involve the purchase and sale of two non-U.S. currencies, only the purchase side is to be reported.

All amounts in column B are to be reported in U.S. dollar equivalent values.

Column C, Equity Derivative Contracts: Equity derivative contracts are contracts that have a return, or 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.

The contract amount to be reported for equity derivative contracts is the quantity, e.g., number of units, of the equity instrument or equity index contracted for purchase or sale multiplied by the contract price of a unit.

Column D, Commodity and Other Contracts: Commodity contracts are contracts that have a return, or a portion of their return, linked to the price of or to an index of precious metals, petroleum, lumber, agricultural products, etc. Commodity and other contracts also include any other contracts that are not reportable as interest rate, foreign exchange, or equity derivative contracts.

The contract amount to be reported for commodity and other contracts is the quantity, e.g., number of units, of the commodity or product contracted for purchase or sale multiplied by the contract price of a unit.

The notional amount to be reported for commodity contracts with multiple exchanges of principal is the contractual amount multiplied by the number of remaining payments (i.e., exchanges of principal) in the contract.

Item 9(a) Futures contracts.

Futures contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. Futures contracts are standardized and are traded on organized exchanges.

Report, in the appropriate column, the aggregate par value of futures contracts that have been entered into between the reporting branch or agency and related depository institutions and are outstanding (i.e., open contracts) as of the report date. *Exclude* all futures contracts that are traded on organized exchanges that act as the counterparty to each contract (report such futures in Schedule L, item 9(a)). Do not report the par value of financial instruments intended to be delivered under such contracts if this par value differs from the par value of the contracts themselves.

Contracts are outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying financial instruments or by offset. Offset is the liquidating of a purchase of futures through the sale of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange, or the covering of a short sale of futures through the purchase of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange.

Column A, Interest Rate Futures: Report futures contracts committing the reporting branch or agency to purchase or sell financial instruments and whose predominant risk characteristic is interest rate risk.

Column B, Foreign Exchange Futures: Report the gross amount (stated in U.S. dollars) of all futures contracts committing the reporting branch or agency to purchase foreign (non-U.S.) currencies and U.S. dollar exchange and whose predominant risk characteristic is foreign exchange risk.

A currency futures contract is a standardized agreement for delayed delivery of a foreign (non-U.S.) currency or U.S. dollar exchange in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified amount at a specified exchange rate.

Column C, Equity Derivative Futures: Report futures contracts committing the reporting branch or agency to purchase or sell equity securities or instruments based on equity indexes.

Column D, Commodity and Other Futures: Report the contract amount for all futures contracts committing the reporting branch or agency to purchase or sell commodities such as agricultural products (e.g., wheat, coffee), precious metals (e.g., gold, platinum), and nonferrous metals (e.g., copper, zinc). Include any other futures contract that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Item 9(b) Forward contracts.

Forward contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument or commodity at a specified price or yield. Forward contracts are not traded on organized exchanges and their contractual terms are not standardized.

Report the aggregate par value of forward contracts that have been entered into between the reporting branch or agency and are outstanding (i.e., open contracts) as of the report date. Do not report the par value of financial instruments intended to be delivered under such contracts if this par value differs from the par value of the contracts themselves.

Contracts are outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying financial instruments or settled in cash. Such contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller.

Include commitments to purchase and sell when-issued securities that are not excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), as a regular-way security trade. Report commitments to purchase when-issued securities that are excluded from the requirements of ASC Topic 815 as "All other off-balance sheet contingent liabilities" in Schedule M, Part V, item 7, and commitments to sell when-issued securities that are excluded from the requirements of ASC Topic 815 as "Other off-balance sheet contingent claims" in Schedule M, Part V, item 8, subject to the existing reporting thresholds for these two items.

Column A, Interest Rate Forwards: Report forward contracts committing the reporting branch or agency to purchase or sell financial instruments and whose predominant risk characteristic is interest rate risk. Include in this item firm commitments (e.g., commitments that have a specified interest rate, selling date, and dollar amount) to sell loans secured by 1-to-4 family residential properties that meet the definition of a derivative contract under ASC Topic 815.

Column B, Foreign Exchange Forwards: Report the gross amount (stated in U.S. dollars) of all forward contracts committing the reporting branch or agency to purchase foreign (non-U.S.) currencies and U.S. dollar exchange and whose predominant risk characteristic is foreign exchange risk.

A forward foreign exchange contract is an agreement for delayed delivery of a foreign (non-U.S.) currency or U.S. dollar exchange in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified amount at a specified exchange rate.

Column C, Equity Derivative Forwards: Report forward contracts committing the reporting branch or agency to purchase or sell equity instruments.

Column D, Commodity and Other Forwards Report the contract amount for all forward contracts committing the reporting branch or agency to purchase or sell commodities such as agricultural products (e.g., wheat, coffee), precious metals (e.g., gold, platinum), and nonferrous metals (e.g., copper, zinc). Include any other forward contract that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Item 9(c) Exchange-traded option contracts.

Option contracts convey either the right or the obligation, depending upon whether the reporting branch or agency is the purchaser or the writer, respectively, to buy or sell a financial instrument or commodity at a specified price by a specified future date. Some options are traded on organized exchanges.

The buyer of an option contract has, for compensation (such as a fee or premium), acquired the right (or

option) to sell to, or purchase from, another party some financial instrument or commodity at a stated price on a specified future date. The seller of the contract has, for such compensation, become obligated to purchase or sell the financial instrument or commodity at the option of the buyer of the contract. A put option contract obligates the seller of the contract to purchase some financial instrument or commodity at the option of the buyer of the contract. A call option contract obligates the seller of the contract to sell some financial instrument or commodity at the option of the buyer of the contract.

Item 9(c)(1) Written options.

Report in this item the aggregate par value of the financial instruments or commodities that the reporting branch or agency has, for compensation (such as a fee or premium), obligated itself to either purchase from or sell to a related depository institution under exchange-traded option contracts that are outstanding as of the report date. *Exclude* all written exchange-traded options that are traded on organized exchanges that act as the counter-party to each contract (report such options in Schedule L, item 9(c)(1)).

Column A, Written Exchange-Traded Interest Rate Options: For exchange-traded option contracts obligating the reporting branch or agency to either purchase or sell an interest rate futures contract and whose predominant risk characteristic is interest rate risk, report the par value of the financial instrument underlying the futures contract.

Column B, Written Exchange-Traded Foreign Exchange Options: Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting branch or agency has, for compensation, obligated itself to either purchase or sell under exchange-traded option con tracts whose predominant risk characteristic is foreign exchange risk. In the case of option contracts obligating the reporting branch or agency to either purchase or sell a foreign exchange futures contract, report the gross amount (stated in U.S. dollars) of the foreign (non-U.S.) currency underlying the futures contract.

Column C, Written Exchange-Traded Equity Derivative Options: Report the contract amount for those exchange-traded option contracts where the reporting branch or agency has obligated itself, for compensation, to purchase or sell an equity instrument or equity index.

Column D, Written Exchange-Traded Commodity and Other Exchange-Traded Options: Report the contract amount for those exchange-traded option contracts where the reporting branch or agency has obligated itself, for compensation, to purchase or sell a commodity or product. Include any other written, exchange-traded option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Item 9(c)(2) Purchased options.

Report in this item the aggregate par value of the financial instruments or commodities that the reporting branch or agency has, for a fee or premium, purchased the right to either purchase from or sell to a related depository institution under exchange-traded option contracts that are outstanding as of the report date. *Exclude* all purchased exchange-traded options that are traded on organized exchanges that act as the counterparty to each contract (report such options in Schedule L, item 9(c)(2)).

Column A, Purchased Exchange-Traded Interest Rate Options: For exchange-traded option contracts giving the reporting branch or agency the right to either purchase or sell an interest rate futures contract and whose predominant risk characteristic is interest rate risk, report the par value of the financial instrument underlying the futures contract.

Column B, Purchased Exchange-Traded Foreign Exchange Options: Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting branch or agency has, for a fee, purchased the right to either purchase or sell under exchange-traded option contracts whose predominant risk characteristic is foreign exchange risk. In the case of option contracts giving the reporting branch or agency the right to either purchase or sell a currency futures contract, report the gross amount (stated in U.S. dollars) of the foreign (non-U.S.) currency underlying the futures contract.

Column C, Purchased Exchange-Traded Equity Derivative Options: Report the contract amount of those exchange-traded option contracts where the reporting branch or agency has, for a fee, purchased the right to purchase or sell an equity instrument or equity index.

Column D, Purchased Exchange-Traded Commodity and Other Exchange-Traded Options: Report the contract amount for those exchange-traded option contracts where the reporting branch or agency has, for a fee or premium, purchased the right to purchase or sell a commodity or product. Include any other purchased, exchange-traded option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Item 9(d) Over-the-counter option contracts.

Option contracts convey either the right or the obligation, depending upon whether the reporting branch or agency is the purchaser or the writer, respectively, to buy or sell a financial instrument or commodity at a specified price by a specified future date. Options can be written to meet the specialized needs of the counterparties to the transaction. These customized option contracts are known as over-the-counter (OTC) options. Thus, over-the-counter option contracts include all option contracts not traded on an organized exchange.

The buyer of an option contract has, for compensation (such as a fee or premium), acquired the right (or option) to sell to, or purchase from, another party some financial instrument or commodity at a stated price on a specified future date. The seller of the contract has, for such compensation, become obligated to purchase or sell the financial instrument or commodity at the option of the buyer of the contract. A put option contract obligates the seller of the contract to purchase some financial instrument or commodity at the option of the buyer of the contract. A call option contract obligates the seller of the contract to sell some financial instrument or commodity at the option of the buyer of the contract.

In addition, swaptions, i.e., options to enter into a swap contract, and contracts known as caps, floors, collars, and corridors should be reported as options. A *cap* is a contract under which the purchaser has, for compensation (such as a fee or premium), acquired the right to receive a payment from the seller if a specified index rate, e.g., LIBOR, rises above a designated strike rate. Payments are based on the principal amount or notional amount of the cap, although no exchange of principal takes place. A *floor* is similar to a cap except that the purchaser has, for compensation (such as a fee or premium), acquired the right to receive a payment from the seller if the specified index rate falls below the strike rate. A *collar* is the simultaneous purchase of a cap (with a strike rate at one index rate) and sale of a floor (with the strike rate at a lower index rate) and sale of a cap (with a strike rate at a higher index rate), designed to reduce the cost of the lower strike cap. The premium income from the sale of one cap reduces or offsets the cost of buying the other cap. A *corridor* is the simultaneous purchase of a cap (with a strike rate at a higher index rate), designed to reduce the cost of the lower strike cap. The premium income from the sale of one cap reduces or offsets the cost of buying the other cap.

Commitments to lend to related depository institutions that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), are considered options for purposes of Schedule M, Part V, item 9. All other commitments to lend to related depository institutions should be reported in Schedule M, Part V, item 1.

Item 9(d)(1) Written options.

Report in this item the par value of the financial instruments or commodities that the reporting branch or agency has, for compensation (such as a fee or premium), obligated itself to either purchase from or sell to a related depository institution under OTC option contracts that are outstanding as of the report date. Also report an aggregate notional amount for written caps, floors, and swaptions and for the written portion of collars and corridors.

Column A, Written OTC Interest Rate Options: Interest rate options include options to purchase and sell interest-bearing financial instruments and whose predominant risk characteristic is interest rate risk as well as contracts known as caps, floors, collars, corridors, and swaptions. Include in this item the notional principal amount for interest rate caps and floors that the reporting branch or agency sells. For interest rate collars and corridors, report a notional amount for the written portion of the contract in Schedule M, Part V, item 9(d)(1), column A, and for the purchased portion of the contract in Schedule M, Part V, item 9(d)(2), column A.

Column B, Written OTC Foreign Exchange Options: A written currency option contract conveys the obligation to exchange two different currencies at a specified exchange rate. Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting branch or agency has, for compensation, obligated itself to either purchase or sell under OTC option contracts whose predominant risk characteristic is foreign exchange risk.

Column C, Written OTC Equity Derivative Options: Report the contract amount for those OTC option contracts where the reporting branch or agency has obligated itself, for compensation, to purchase or sell an equity instrument or equity index.

Column D, Written OTC Commodity and Other OTC Options: Report the contract amount for those OTC option contracts where the reporting branch or agency has obligated itself, for compensation, to purchase or sell a commodity or product. Include any other written, OTC option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

Item 9(d)(2) Purchased options.

Report in this item the aggregate par value of the financial instruments or commodities that the reporting branch or agency has, for a fee or premium, purchased the right to either purchase from or sell to a related depository institution under OTC option contracts that are outstanding as of the report date. Also report an aggregate notional amount for purchased caps, floors, and swaptions and for the purchased portion of collars and corridors.

Column A, Purchased OTC Interest Rate Options: Interest rate options include options to purchase and sell interest-bearing financial instruments and whose predominant risk characteristic is interest rate risk as well as contracts known as caps, floors, collars, corridors, and swaptions. Include in this item the notional principal amount for interest rate caps and floors that the reporting branch or agency purchases. For interest rate collars and corridors, report a notional amount for the written portion of the contract in Schedule M, Part V, item 9(d)(1), column A, and for the purchased portion of the contract in Schedule M, Part V, item 9(d)(2), column A.

Column B, Purchased OTC Foreign Exchange Options: Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting branch or agency has, for a fee, purchased the right to either purchase or sell under option contracts whose predominant risk characteristic is foreign exchange risk.

Column C, Purchased OTC Equity Derivative Options: Report the contract amount of those OTC option contracts where the reporting branch or agency has, for a fee, purchased the right to purchase or sell an equity instrument or equity index.

Column D, Purchased OTC Commodity and Other OTC Options: Report the contract amount for those option contracts where the reporting branch or agency has, for a fee or premium, purchased the right to purchase or sell a commodity or product. Include any other purchased OTC option that is not reportable as an interest rate, foreign exchange or equity derivative contract in column A, B, or C.

Item 9(e) Swaps.

Swaps are contracts in which two parties agree to exchange payment streams based on a specified notional amount for a specified period. Forward starting swap contracts should be reported as swaps. The notional amount of a swap is the underlying principal amount upon which the exchange of interest, foreign exchange or other income or expense is based. The notional amount to be reported for a swap contract with a multiplier component is the contract's effective notional amount. In those cases where the reporting branch or agency is acting as an intermediary, both sides of the transaction are to be reported.

Column A, Interest Rate Swaps: Report the notional amount of all outstanding interest rate and basis swaps between the reporting branch or agency and related depository institutions whose predominant risk characteristic is interest rate risk.

Column B, Foreign Exchange Swaps: Report the notional principal amount (stated in U.S. dollars) of all outstanding cross-currency interest rate swaps between the reporting branch or agency and related depository institutions.

A cross-currency interest rate swap is a contract in which two parties agree to exchange principal amounts

of different currencies, usually at the prevailing spot rate, at the inception of an agreement which lasts for a certain number of years. At defined intervals over the life of the swap, the counterparties exchange payments in the different currencies based on specified rates of interest. When the agreement matures the principal amounts will be re-exchanged at the same spot rate. The notional amount of a cross-currency interest rate swap is generally the underlying principal amount upon which the exchange is based.

Column C, Equity Swaps: Report the notional amount of all outstanding equity or equity index swaps between the reporting branch or agency and related depository institutions.

Column D, Commodity and Other Swaps: Report the notional principal amount of all other swap agreements between the reporting branch or agency and related depository institutions that are not reportable as either interest rate, foreign exchange, or equity derivative contracts in column A, B, or C. The notional amount to be reported for commodity contracts with multiple exchanges of principal is the contractual amount multiplied by the number of remaining payments (or exchanges of principal) in the contract.

Item 10 Total gross notional amount of derivative contracts held for trading.

Report, in the appropriate column, the total notional amount or par value of those derivative contracts with related depository institutions in Schedule M, Part V, item 9 above that are held for trading purposes. Contracts held for trading purposes include those used in dealing and other trading activities. Derivative instruments used to hedge trading activities should also be reported in this item.

Derivative trading activities include (a) regularly dealing in interest rate contracts, foreign exchange contracts, equity derivative contracts, and other derivative commodity contracts, (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 (or repurchase) in order to profit from short-term price movements, or (c) acquiring or taking positions to make a market for customers.

Item 11 Total gross notional amount of derivative contracts held for purposes other than trading.

Report, in the appropriate column, the total notional amount or par value of those contracts with related depository institutions reported in Schedule M, Part V, item 9 above that are held for purposes other than trading.

Item 12 Gross fair values of derivative contracts.

Report in the appropriate column and subitem below the fair value of all derivative contracts with related depository institutions reported in Schedule L, items 10 and 11 above. For each of the four types of underlying risk exposure in columns A through D, the gross positive and gross negative fair values will be reported separately for (i) contracts held for trading purposes (in item 12(a)), and (ii) contracts held for purposes other than trading (in item 12(b)). Guidance for reporting by type of underlying risk exposure is provided in the instructions for Schedule M, Part V, item 9 above. Guidance for reporting by purpose and accounting methodology is provided in the instructions for Schedule M, Part V, items 10 and 11 above.

No netting of contracts with related depository institutions is permitted for purposes of this item. Therefore, do not net (1) obligations of the reporting branch or agency to buy against the branch or agency's obligations to sell, (2) written options against purchased options, (3) positive fair values against negative fair values, or (4) contracts subject to bilateral netting agreements.

As defined in ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, "Fair Value Measurements"), fair value is the amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and should be used as the basis for the measurement, if available. If a quoted market price is available, the fair value is the product of the number of trading units times that market price. If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances. The estimate of fair value should consider prices for similar assets or similar liabilities and the results of valuation tech-

niques to the extent available in the circumstances. For purposes of item 12, the reporting branch or agency should determine the fair value of its derivative contracts in the same manner that it determines the fair value of these contracts for other financial reporting purposes.

Item 12(a) Contracts held for trading.
Report in the appropriate column and subitem the gross positive and gross negative fair values of those contracts held for trading reported in Schedule M, Part V, item 10 above.

Item 12(a)(1) Gross positive fair value.
Report in the appropriate column the total fair value of those contracts in Schedule M, Part V, item 10 above with positive fair values.

Item 12(a)(2) Gross negative fair value.
Report in the appropriate column the total fair value of those contracts in Schedule M, Part V, item 10 above with negative fair values. ***Report the total fair value as an absolute value, do*** not ***enclose the total fair value in parentheses or use a minus (−) sign.***

Item 12(b) Contracts held for purposes other than trading.
Report in the appropriate column and subitem the gross positive and gross negative fair values of those contracts held for purposes other than trading that are reported in Schedule M, Part V, item 11 above.

Item 12(b)(1) Gross positive fair value.
Report in the appropriate column the total fair value of those contracts in Schedule M, Part V, item 11 above with positive fair values.

Item 12(b)(2) Gross negative fair value.
Report in the appropriate column the total fair value of those contracts in Schedule M, Part V, item 11 above with negative fair values. ***Report the total fair value as an absolute value, do*** **not** ***enclose the total fair value in parentheses or use a minus (–) sign.***

INSTRUCTIONS FOR THE PREPARATION OF

Past Due, Nonaccrual, and Restructured Loans
Schedule N

General Instructions

Report all loans, including lease financing receivables, that are past due, are in nonaccrual status, or have been restructured because of a deterioration in the financial position of the obligor. All such loans and lease financing receivables held in the reporting branch or agency and its IBF should be distributed by category and reported *net* of any specific reserves. Institutions that have adopted ASU 2016-13, which governs the accounting for credit losses, should report financial assets without any deductions for any applicable allowance for credit losses. Loan amounts should be reported net of unearned income to the extent that the same categories of loans are reported net of unearned income in Schedule C. Report the *full* outstanding balances of past due, nonaccrual, and restructured loans and lease financing receivables, as reported for purposes of Schedule C, not simply the delinquent payments.

Exclude interest earned but not collected on loans (report in Schedule RAL, item 1(h), "Other assets including other claims on nonrelated parties").

NOTE: *Exclude* all transactions of the branch or agency, including its IBF, with related depository institutions (report in Schedule M). However, include transactions with related nondepository institutions.

Definitions

Past due. For purposes of this schedule, grace periods allowed by the branch or agency, including its IBF, after a loan technically has become past due, but before the imposition of late charges, are not to be taken into account in determining past due status. Furthermore, loans and lease financing receivables are to be reported as past due when either interest *or* principal is unpaid in the following circumstances:

(1) Closed-end installment loans, amortizing loans secured by real estate, and any other loans and lease financing receivables with payments scheduled monthly are to be reported as past due when the borrower is in arrears two or more monthly payments. (Branches or agencies may use 30 days as a proxy for a month if they prefer.) Other multipayment obligations with payments scheduled other than monthly are to be reported as past due when one scheduled payment is due and unpaid for 30 days or more.

(2) Open-end credit such as charge-card plans, check credit, and other revolving credit plans are to be reported as past due when the customer has not made the minimum payment for two or more billing cycles.

(3) Single payment and demand notes providing for the payment of interest at stated intervals are to be reported as past due after one interest payment is due and unpaid for 30 days or more.

(4) Single payment notes providing for the payment of interest at maturity are to be reported as past due after maturity if interest *or* principal remains unpaid for 30 days or more.

(5) Unplanned overdrafts are to be reported as past due if the account remains continuously overdrawn for 30 days or more.

For purposes of this schedule, branches or agencies should use one of two methods to recognize partial payments on "retail credit," i.e., open-end and closed-end credit extended to individuals for household, family, and other personal expenditures, including consumer loans and credit cards, and loans to individuals secured by their personal residence, including home equity and home improvement loans. A payment equivalent to 90 percent or more of the contractual

payment may be considered a full payment in computing delinquency. Alternatively, a branch or agency may aggregate payments and give credit for any partial payment received. For example, if a regular monthly installment is $300 and the borrower makes payments of only $150 per month for a six-month period, the loan would be $900 ($150 shortage times six payments), or three monthly payments past due. A branch or agency may use either or both methods for its retail credit but may not use both methods simultaneously with a single loan.

Nonaccrual. For purposes of this schedule, loans and lease financing receivables are to be reported as being in nonaccrual status if: (1) they are maintained on a cash basis because of deterioration in the financial position of the borrower, (2) payment in full of interest or principal is not expected, or (3) principal or interest has been in default for a period of 90 days or more unless the obligation is *both* well secured *and* in the process of collection.

A debt 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. A debt is "in the process of collection" if collection of the debt 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 a loan reaches nonaccrual status is determined by its contractual terms. If the principal or interest on a loan becomes due and unpaid for 90 days or more on a date that falls between report dates, the loan 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, a loan need not be placed in nonaccrual status:

(1) 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 (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"), are met for a purchased impaired loan or debt security accounted for in accordance with that Subtopic, regardless of whether the loan or debt security had been maintained in nonaccrual status by its seller.

For institutions that have adopted ASU 2016-13, any outstanding purchased credit-impaired loans and debt securities as of the adoption date should prospectively be accounted for as purchased credit-deteriorated loans and debt securities. Any remaining noncredit discount on such loans and debt securities should be accreted into interest income at the effective interest rate on the adoption date of ASU 2016-13 if a loan or debt security is not required to be placed in nonaccrual status. For purchased credit-deteriorated loans acquired after the adoption date, ASU 2016-13 refers to ASC Subtopic 310-10 for guidance on recognition of interest income. For purchased credit-deteriorated loans with common risk characteristics that are aggregated and accounted for as a pool for allowance measurement purposes under ASU 2016-13, the determination of nonaccrual or accrual status should be made at the individual loan level, not at the pool level.

(2) The criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6 are met with respect to a loan or other debt instrument acquired at a discount (because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party (such as another institution or the receiver of a failed institution), including those that the seller had maintained in nonaccrual status.

(3) The loan upon which principal or interest is due and unpaid for 90 days or more is a consumer loan secured by a 1-to-4 family residential property. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the reporting institution's net income is not materially affected. To the extent that the report-

ing institution has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in this schedule.

As a general rule, a nonaccrual loan may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the reporting institution 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 reporting institution must have received repayment of the past due principal and interest unless, as discussed in the Glossary entry for "nonaccrual status," (1) the loan 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 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 contractural 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."

Restructured and in compliance with modified terms. For purposes of this schedule, restructured loans and leases are those loans and leases whose terms have been modified, because of a deterioration in the financial condition of the borrower, to provide for a reduction of either interest or principal, regardless of whether such loans and leases are secured or unsecured, regardless of whether such credits are guaranteed by the government or by others, and (except as noted in the following paragraph) regardless of the effective interest rate on such credits.

Once a loan or lease has been restructured because of such credit problems, it continues to be considered restructured until paid in full. However, a restructured loan or lease that is in compliance with its modified terms and yields a market rate (i.e., the recorded amount of the obligation bears an effective interest rate that at the time of the restructuring is greater than or equal to the rate that the branch or agency is willing to accept for a new extension of credit with comparable risk) need not continue to be reported as "restructured and in compliance with modified terms" 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 restructured loan. Also, a loan to a purchaser of "other real estate owned" by the reporting branch or agency for the purpose of facilitating the disposal of such real estate is not considered a restructured loan. For further information, see ASC Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings").

Report as "restructured and in compliance with modified terms" all restructured loans and leases as defined above that are in compliance with their modified terms, that is, restructured loans and leases (1) on which *no* contractual payments of principal or interest scheduled under the modified repayment terms are due and unpaid or (2) on which contractual payments of both principal *and* interest scheduled under the modified repayment terms are less than 30 days past due. *Exclude* from "restructured and in compliance with modified terms" all restructured loans secured by 1-to-4 family residential properties and all restructured loans to individuals for household, family, and other personal expenditures. (However, any restructured loans of these two types that subsequently become past due 30 days or more or are placed in nonaccrual status should be reported accordingly.)

Column Instructions

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

Report in columns A and B (except for Memoranda item 2) the full outstanding balances (not just delinquent payments) of loans, including lease financing receivables, that are past due and upon which the branch or agency, including its IBF, 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 providing for payment of interest at stated intervals after one interest payment is due and unpaid for 30 through 89 days; single payment notes 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 branch or agency is accruing interest on them, if the account remains continuously overdrawn for 30 through 89 days.

(2) In column B, report the loans, including lease financing receivables, as specified above on which payment is due and unpaid for 90 days or more.

Report in columns A and B of Memoranda item 2 the fair value, if positive, of all interest rate, foreign exchange rate, equity, and commodity and other contracts or which a required payment by the branch or agency's counter-party is due and unpaid for 30 through 89 days and due and unpaid for 90 days or more, respectively.

Exclude from columns A and B all loans and lease financing receivables that are in nonaccrual status and all loans and leases that are restructured and in compliance with their modified terms.

Report in column C the outstanding balances of loans, including lease financing receivables, that the branch or agency, including its IBF, has placed in nonaccrual status.

Also include in this column all restructured loans and leases that are in nonaccrual status.

Report in column D the outstanding balances of loans, including lease financing receivables, that have been restructured and are in compliance with their modified terms.

Exclude from column D (1) those restructured loans and leases on which under the modified repayment terms either principal *or* interest is 30 days or more past due (report in Schedule N, column A or B, as appropriate) and (2) those restructured loans and leases that are in nonaccrual status under the modified repayment terms (report in Schedule N, column C).

NOTE: Columns A, B, C, and D are mutually exclusive. The full outstanding balance of any loan, including any lease financing receivable, should be reported in no more than one of these four columns. Information reported for any derivative contract should be reported in only column A or column B.

Item Instructions

The loan categories specified in this schedule (except for Memorandum item 1) correspond to the loan category definitions for Schedule C, Part I, including the treatment of leases.

Item 1 Total loans to U.S. addressees (domicile).
See the Glossary entry for "domicile" for further information.

Item 1(a) Commercial and industrial loans.
Corresponds to Schedule C, Part I, item 4(a), column A.

Item 1(b) Loans secured by real estate.
Corresponds to Schedule C, Part I, item 1, column A, consisting of loans to U.S. addressees.

Item 1(c) All other loans.
Corresponds to Schedule C, Part I, items 2(a)(1), 2(a)(2), 2(b), 9(a), column A, and to that portion of Schedule C, Part I, items 3, 7, and 8, column A, consisting of loans to U.S. addressees.

Item 2 Total loans to non-U.S. addressees (domicile).
Corresponds to Schedule C, Part I, item 2(c)(1), 2(c)(2), 4(b), 9(b), column A, and to that portion of Schedule C, Part I, items 1, 3, 6, 7, 8, column A, consisting of loans to non-U.S. addressees.

Item 3 Total.
Report the sum of items 1(a), 1(b), 1(c), and 2.

Memoranda

Item M1 Book value of loans sold or otherwise transferred to head office or to related institutions and still serviced by the reporting branch or agency.
Report in this item in the appropriate column the book value of any past due, nonaccrual, or renegotiated asset of a type reportable in Schedule C that was originated or otherwise acquired by the reporting branch or agency (and its IBF) and was subsequently sold or

transferred to the reporting branch or agency's head office or to any related institution, provided such asset is still being serviced by the reporting branch or agency. For purposes of this item, the phrase "being serviced" means that the reporting branch or agency (and its IBF) does not actually carry the asset on its books and so cannot actually report it in Schedule C, but continues to collect loan payments or otherwise maintain borrower contact in such manner so as to have knowledge of the repayment status on the assets.

Item M2 Interest rate, foreign exchange rate, and other commodity and equity contracts: Fair value of amounts carried as assets.

Report the fair value, if positive, of all interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts (as defined for Schedule L, item 9) on which a required payment by the branch or agency's counterparty is past due 30 days or more as of the report date. Report in column A the specified information for those contracts that are past due 30 through 89 days. Report in column B the specified information for those contracts that are past due 90 days or more.

INSTRUCTIONS FOR THE PREPARATION OF

Other Data for Deposits Insurance Assessments
Schedule O

General Instructions

This schedule is to be completed only by branches whose deposits are insured by the FDIC. Each FDIC-insured branch must complete items 1 and 2, 4 through 6, Memorandum items 1 and 5, and, if applicable, item 3 and Memorandum items 2 and 3 each quarter.

Item Instructions

Item 1 Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.

Report the gross total deposit liabilities as of the calendar quarter-end report date that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting allowable exclusions from total deposits. An institution's gross total deposit liabilities are the combination of:

- All deposits and credit balances to nonrelated parties reported in Schedule RAL, item 4.a, column A;
- Interest accrued and unpaid on all deposits and credit balances to nonrelated parties included in Schedule RAL, item 4.f, column A;
- Deposits of majority-owned depository subsidiaries of the parent foreign bank and the interest accrued and unpaid on such deposits;
- The amount by which demand deposits reported in Schedule RAL, item 4.a, column A, have been reduced from the netting of the reporting branch's reciprocal demand balances with U.S. branches and agencies of foreign banks;
- The amount by which any other deposit liabilities reported in Schedule RAL, item 4.a, column A, have been reduced by assets netted against these liabilities in accordance with generally accepted accounting principles;
- Deposits in the insured branch to the credit of the branch's parent foreign bank or any of its offices, branches, agencies, or wholly owned subsidiaries; and
- Other obligations meeting the Section 3(l) statutory definition of a deposit that may be housed in systems of record not normally thought of as deposit systems, such as loan, payroll, and escrow systems and manual records that contain information needed to answer depositors' questions on their deposits.

See the Glossary entry for "deposits" for the statutory definition of deposits.

If unposted debits and unposted credits are included in the gross total deposit liabilities reported in this item, they may be excluded in Schedule O, item 2 below.

Item 2 Total allowable exclusions, including interest accrued and unpaid on allowable exclusions (including foreign deposits).

Report the total amount of allowable exclusions from deposits as of the calendar quarter-end report date if the branch maintains such records as will readily permit verification of the correctness of its reporting of exclusions. Any accrued and unpaid interest on the allowable exclusions listed below should also be reported in this item as an allowable exclusion.

The allowable exclusions include:

(1) *Foreign Deposits*: As defined in Section 3(l)(5) of the Federal Deposit Insurance Act, foreign deposits include

(a) any obligation of a depository institution which is carried on the books and records of

an office of such bank or savings association located outside of any State, unless

(i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and

(ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and

(b) any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the System in regulation D or any successor regulation issued by the Board of Governors of the Federal Reserve System.

(2) *Reciprocal balances*: Any demand deposit due from or cash item in the process of collection due from any depository institution (not including a foreign bank or foreign office of another U.S. depository institution) up to the total amount of deposit balances due to and cash items in the process of collection due such depository institution.

(3) *Drafts drawn on other depository institutions*: Any outstanding drafts (including advices and authorization to charge the depository institution's balance in another bank) drawn in the regular course of business by the reporting depository institution.

(4) *Pass-through reserve balances*: Reserve balances passed through to the Federal Reserve by the reporting institution that are also reflected as deposit liabilities of the reporting institution. This exclusion is not applicable to an institution that does not act as a correspondent bank in any pass-through reserve balance relationship.

(5) *Depository institution investment contracts*: Liabilities arising from depository institution investment contracts that are not treated as insured deposits under section 11(a)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(5)). A Depository Institution Investment Contract is a separately negotiated depository agreement between an employee benefit plan and an insured depository institution that guarantees a specified rate for all deposits made over a prescribed period and expressly permits benefit responsive withdrawals or transfers.

(6) *Accumulated deposits*: Deposits accumulated for the payment of personal loans that are assigned or pledged to assure payment of the loans at maturity. Deposits that simply serve as collateral for loans are not an allowable exclusion.

(7) *Deposits of the parent foreign bank*: Deposits in the insured branch to the credit of the branch's parent foreign bank or any of its offices, branches, agencies, or wholly owned subsidiaries may be deducted from the assessment base of the insured branch pursuant to Section 347.208 of the FDIC's regulations.

Item 3 Total foreign deposits, including interest accrued and unpaid thereon (included in item 2 above).

Report the total amount of International Banking Facility deposits (reported in Schedule RAL, item 4.a, column B) including interest accrued and unpaid thereon (reported in Schedule RAL, item 4.f, column B) as of the calendar quarter-end report date included in Schedule O, item 2, above.

Item 4 Average consolidated total assets.

Report average consolidated total assets[1] for the calendar quarter.

Averaging methods—An institution that reported $1 billion or more in quarter-end consolidated total assets in Schedule RAL, item 3, "Total assets," for March 31, 2012, must report average consolidated total assets in this item on a daily average basis. An institution that reported less than $1 billion in quarter-end consolidated total assets in Schedule RAL, item 3,

1. The scope of the FFIEC 002 report is for data on the entire operation of the branch or agency including any International Banking Facilities ("IBFs"). No consolidation of statements for multiple branches and agencies of a given foreign bank is permitted, except that a foreign bank may submit to the appropriate Federal Reserve Bank a request to consolidate reports for two or more offices, provided that (1) the offices are located in the same city or metropolitan area and are in the same state and Federal Reserve district, and (2) the consolidated report does not combine agencies with branches or insured branches with uninsured branches.

"Total assets," for March 31, 2012, may report average consolidated total assets in this item on a weekly average basis, or it may at any time opt permanently to report average consolidated total assets on a daily average basis. Once an institution that reports average consolidated total assets using a weekly average reports average consolidated total assets of $1 billion or more in this item for two consecutive quarters, it must permanently report average consolidated total assets using daily averaging beginning the next quarter.

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

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

Measuring consolidated total assets—For purposes of calculating the quarterly average to be reported in this item, consolidated total assets should be measured as defined for "Total assets" on Schedule RAL, item 3, column A, except that:

(1) For institutions that have not adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investments in mutual funds, and eliminates the concept of available-for-sale equity securities (see the General Instructions for Schedule RAL, Memorandum items 1 through 4), this quarterly average should reflect all debt securities (not held for trading) at amortized cost and available-for-sale equity securities with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost.

(2) For institutions that have adopted ASU 2016-01, this quarterly average should reflect all debt securities (not held for trading) at amortized cost.

In addition, to the extent that net deferred tax assets included in the institution's total assets, if any, include the deferred tax effects of any unrealized holding gains and losses on available-for-sale debt securities, these deferred tax effects may be excluded from the determination of the quarterly average for total assets. If these deferred tax effects are excluded, this treatment must be followed consistently over time.

Item 4(a) Averaging method used.

Indicate the averaging method that the reporting institution used to report its average consolidated total assets in Schedule O, item 4, above. For daily averaging, enter the number "1"; for weekly averaging, enter the number "2."

Item 5 Average tangible equity.

Report average tangible equity for the calendar quarter. For purposes of this item, tangible equity is defined as eligible assets (determined in accordance with Section 347.210 of the FDIC's regulations and as reported in Schedule RAL, section "Statutory or Regulatory Requirement," item 3.b), less the book value of liabilities (exclusive of liabilities due to the foreign bank's head office, other branches, agencies, offices, or wholly owned subsidiaries).

Averaging methods—An institution that reported $1 billion or more in quarter-end consolidated total assets in Schedule RAL, item 3, "Total assets," for March 31, 2012, must report average tangible equity on a monthly average basis. An institution that reported less than $1 billion in quarter-end consolidated total assets in Schedule RAL, item 3, "Total assets," for March 31, 2012, may report its quarter-end tangible equity rather than an average amount, or it may at any time opt permanently to report average tangible equity on a monthly average basis. Once an institution that reports average consolidated total assets using a weekly average reports average consolidated total assets of $1 billion or more in Schedule O, item 4, for two consecutive quarters, it must permanently report average tangible equity using monthly averaging beginning the next quarter.

Monthly average tangible equity should be calculated by adding tangible equity (as defined above) as of each month-end date during the calendar quarter and dividing by three. For example, monthly average tangible equity for June 30, 2011, would be the sum of tangible equity as of April 30, May 31, and June 30, 2011, divided by three.

Item 6 Holdings of long-term unsecured debt issued by other FDIC-insured depository institutions.

Report the balance sheet amount of the reporting institution's holdings of long-term unsecured debt issued by other FDIC-insured depository institutions. Long-term unsecured debt includes senior unsecured debt, subordinated debt, and limited-life preferred stock with a remaining maturity of at least one year that has been issued by another depository institution. Any debt for which the reporting institution has the option to redeem the debt within the next 12 months is not considered long-term and may be excluded from this item.

Depending on the form of the debt and the intent for which it is held, holdings of long-term unsecured debt issued by other insured depository institutions are included in Schedule RAL, item 1.c.(4), "All other bonds, notes, debentures, and corporate stock," Schedule RAL, item 1.f.(4), "Other trading assets," and Schedule C, part I, item 2, "Loans to depository institutions and acceptances of other banks."

Exclude holdings of long-term unsecured debt issued by bank and thrift holding companies. Also exclude holdings of debt issued by other insured depository institutions that are guaranteed by the FDIC under the Debt Guarantee Program component of the FDIC's Temporary Liquidity Guarantee Program.

Memoranda

Item M1 Total deposit liabilities of the branch (including related interest accrued and unpaid) less allowable exclusions (including related interest accrued and unpaid).

Memorandum items M1(a)(1), M1(b)(1), M1(b)(2), M1(c)(1), M1(d)(1), and M1(d)(2) are to be completed each quarter. Memorandum items M1(a)(2) and M1(c)(2) are to be completed for the June report only.

These Memorandum items should be reported on an unconsolidated single FDIC certificate number basis.

The sum of Memorandum items M1(a)(1), M1(b)(1), M1(c)(1), and M1(d)(1) must equal Schedule O, item 1, "Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations," less item 2, "Total allowable exclusions, including interest accrued and unpaid on allowable exclusions (including foreign deposits)." Accordingly, all amounts included in the branch's total deposit liabilities less allowable exclusions, not just those included in its "Total deposits and credit balances" (reported in Schedule RAL, item 4.a, column A), should be reported in the appropriate sub-item of Memorandum item M1. For example, the interest accrued and unpaid on a deposit account (that is not an allowable exclusion) should be reported together with the related account in Memorandum items M1(a)(1), M1(b)(1), M1(c)(1), and M1(d)(1), as appropriate.

The dollar amounts used as the basis for reporting the number and amount of deposit accounts in these eight Schedule O Memorandum items reflect the deposit insurance limits of $250,000 for "retirement deposit accounts" and $250,000 for other deposit accounts.

"Retirement deposit accounts" that are eligible for $250,000 in deposit insurance coverage are deposits made in connection with the following types of retirement plans:

- Individual Retirement Accounts (IRAs), including traditional and Roth IRAs;
- Simplified Employee Pension (SEP) plans;
- "Section 457" deferred compensation plans;
- Self-directed Keogh (HR 10) plans; and
- Self-directed defined contribution plans, which are primarily 401(k) plan accounts.

The term "self-directed" means that the plan participants have the right to direct how their funds are invested, including the ability to direct that the funds be deposited at an FDIC-insured institution.

Retirement deposit accounts exclude Coverdell Education Savings Accounts, formerly known as Education IRAs.

Schedule O

When determining the number and size of deposit accounts, each individual certificate, passbook, account, and other evidence of deposit is to be treated as a separate account. For purposes of completing this Memorandum item, multiple accounts of the same depositor should not be aggregated. In situations where a branch assigns a single account number to each depositor so that one account number may represent multiple deposit contracts between the branch and the depositor (e.g., one demand deposit account, one money market deposit account, and three certificates of deposit), each deposit contract is a separate account.

Item M1(a) Deposit accounts (excluding retirement accounts) of $250,000 or less.

Report in the appropriate subitem the amount outstanding and the number of deposit accounts, excluding retirement deposit accounts (as defined in Schedule O, Memorandum item M1), with a balance of $250,000 or less as of the report date.

Item M1(a)(1) Amount of deposit accounts (excluding retirement accounts) of $250,000 or less.

Report the aggregate balance of all deposit accounts, certificates, or other evidences of deposit (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of $250,000 or less. This amount should represent the total of the balances of the deposit accounts enumerated in Schedule O, Memorandum item M1(a)(2) below.

Item M1(a)(2) Number of deposit accounts (excluding retirement accounts) of $250,000 or less.

(To be completed for the June report only.) Report the total number of deposit accounts (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of $250,000 or less. Count each certificate, passbook, account, and other evidence of deposit that has a balance of $250,000 or less.

Item M1(b) Deposit accounts (excluding retirement accounts) of more than $250,000.

Report in the appropriate subitem the amount outstanding and the number of deposit accounts, excluding retirement deposit accounts (as defined in Schedule O, Memorandum item M1), with a balance of more than $250,000 as of the report date.

Item M1(b)(1) Amount of deposit accounts (excluding retirement accounts) of more than $250,000.

Report the aggregate balance of all deposit accounts, certificates, or other evidences of deposit (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of more than $250,000. This amount should represent the total of the balances of the deposit accounts enumerated in Schedule O, Memorandum item M1(b)(2) below.

Item M1(b)(2) Number of deposit accounts (excluding retirement accounts) of more than $250,000.

Report the total number of deposit accounts (demand, savings, and time), excluding retirement deposit accounts, with a balance on the report date of more than $250,000. Count each certificate, passbook, account, and other evidence of deposit that has a balance of more than $250,000.

Item M1(c) Retirement deposit accounts of $250,000 or less.

Report in the appropriate subitem the amount outstanding and the number of retirement deposit accounts (as defined in Schedule O, Memorandum item M1) with a balance of $250,000 or less as of the report date.

Item M1(c)(1) Amount of retirement deposit accounts of $250,000 or less.

Report the aggregate balance of all retirement deposit accounts, certificates, or other evidences of deposit (demand, savings, and time) with a balance on the report date of $250,000 or less. This amount should represent the total of the balances of the retirement deposit accounts enumerated in Schedule O, Memorandum item M1(c)(2) below.

Item M1(c)(2) Number of retirement deposit accounts of $250,000 or less.

(To be completed for the June report only.) Report the total number of retirement deposit accounts (demand, savings, and time) with a balance on the report date of $250,000 or less. Count each certificate, passbook, account, and other evidence of deposit which has a balance of $250,000 or less.

Item M1(d) Retirement deposit accounts of more than $250,000.

Report in the appropriate subitem the amount outstanding and the number of retirement deposit

accounts (as defined in Schedule O, Memorandum item M1) with a balance of more than $250,000 as of the report date.

Item M1(d)(1) Amount of retirement deposit accounts of more than $250,000.

Report the aggregate balance of all retirement deposit accounts, certificates, or other evidences of deposit (demand, savings, and time) with a balance on the report date of more than $250,000. This amount should represent the total of the balances of the retirement deposit accounts enumerated in Schedule O, Memorandum item M1(d)(2) below.

Item M1(d)(2) Number of retirement deposit accounts of more than $250,000.

Report the total number of retirement deposit accounts (demand, savings, and time) with a balance on the report date of more than $250,000. Count each certificate, passbook, account, and other evidence of deposit which has a balance of more than $250,000.

Item M2 Estimated amount of uninsured deposits in the branch, including related interest accrued and unpaid.

Schedule O, Memorandum item M2, is to be completed by branches with $1 billion or more in total claims on nonrelated parties.

Report the estimated amount of the branch's deposits that is not covered by federal deposit insurance. This estimate should reflect the deposit insurance limits of $250,000 for "retirement deposit accounts" (as defined in Schedule O, Memorandum item M1) and $250,000 for other deposit accounts (exclusive of noninterest-bearing transaction accounts). The reporting of this uninsured deposit information is mandated by Section 7(a)(9) of the Federal Deposit Insurance Act.

The estimated amount of uninsured deposits reported in this item should be based on the branch's deposits included in Schedule O, item 1, "Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations," less item 2, "Total allowable exclusions, including interest accrued and unpaid on allowable exclusions (including foreign deposits)." In addition to the uninsured portion of a branch's "Total deposits and credit balances" (reported in Schedule RAL, item 4.a, column A), the estimate of uninsured deposits should take into account all other items included in Schedule O, item 1 less item 2, including, but not limited to:

- Interest accrued and unpaid on deposits and credit balances;
- Deposits of majority-owned depository subsidiaries of the parent foreign bank and the interest accrued and unpaid on such deposits;
- Deposit liabilities that have been reduced by assets netted against these liabilities in accordance with generally accepted accounting principles; and
- Deposits in the insured branch to the credit of the branch's parent foreign bank or any of its offices, branches, agencies, or wholly owned subsidiaries.

The branch's estimate of its uninsured deposits should be reported in accordance with the following criteria. Regardless of these criteria, all noninterest-bearing transaction accounts (as defined in Schedule O, Memorandum item M5) must be treated as insured deposits and excluded from the estimate of uninsured deposits. Furthermore, it is recognized that a branch may have multiple automated information systems for different types of deposits and that the capabilities of a branch's information systems to provide an estimate of its uninsured deposits will differ from branch to branch at any point in time and, within an individual institution, may improve over time.

(1) If the branch has deposit accounts whose ownership is based on a fiduciary relationship, Part 330 of the FDIC's regulations generally states that the titling of the deposit account (together with the underlying records) must indicate the existence of the fiduciary relationship in order for insurance coverage to be available on a "pass-through" basis. Fiduciary relationships include, but are not limited to, relationships involving a trustee, agent, nominee, guardian, executor, or custodian.

A branch with fiduciary deposit accounts with balances of more than $250,000 must diligently use the available data on these deposit accounts, including data indicating the existence of different principal and income beneficiaries and data indicating that some or all of the funds on deposit

represent retirement deposit accounts eligible for $250,000 in deposit insurance coverage, to determine its best estimate of the uninsured portion of these accounts.

(2) If the branch has deposit accounts of employee benefit plans, Part 330 of the FDIC's regulations states that these accounts are insured on a "pass-through" basis for the non-contingent interest of each plan participant provided that certain prescribed recordkeeping requirements are met. A branch with employee benefit plan deposit accounts with balances of more than $250,000 must diligently use the available data on these deposit accounts to determine its best estimate of the uninsured portion of these accounts.

(3) If the branch has deposit accounts with balances in excess of the federal deposit insurance limit for which it has acquired private deposit insurance to cover this excess amount, the branch should make a reasonable estimate of the portion of these deposits that is not insured by the FDIC using the data available from its information systems.

(4) For all other deposit accounts, the branch should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems. In developing this estimate, if the branch has automated information systems in place that enable it to identify jointly owned accounts and estimate the deposit insurance coverage of these deposits, the higher level of insurance afforded these joint accounts should be taken into consideration. Similarly, if the branch has automated information systems in place that enable it to classify accounts by deposit owner and/or ownership capacity, the branch should incorporate this information into its estimate of the amount of uninsured deposits by aggregating accounts held by the same deposit owner in the same ownership capacity before applying the $250,000 insurance limit. Ownership capacities include, but are not limited to, single ownership, joint ownership, business (excluding sole proprietorships), revocable trusts, irrevocable trusts, and retirement accounts.

In the absence of automated information systems, a branch may use nonautomated information such as paper files or less formal knowledge of its depositors if such information provides reasonable estimates of appropriate portions of its uninsured deposits. A branch's use of such nonautomated sources of information is considered appropriate unless errors associated with the use of such sources would contribute significantly to an overall error in the FDIC's estimate of the amount of insured and uninsured deposits in the banking system.

Item M3 Preferred deposits.

(To be completed for the December report only.) Report in this item all deposits of states and political subdivisions in the U.S. included in Schedule E, item 5, columns A and C, 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 or equal to the sum of Schedule E, item 5, column A, and item 5, column C.

Deposits of states and political subdivisions in the U.S. include deposits of public funds standing to the credit of states, counties, municipalities, and local housing authorities; school, irrigation, drainage, and reclamation districts; or other instrumentalities of one or more states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. Deposits of states and political subdivisions in the U.S. also include deposits of funds advanced to states and political subdivisions by U.S. Government agencies and corporations and deposits of withheld income taxes of states and political subdivisions.

State law may require an institution to pledge securities (or other readily marketable assets) to cover the uninsured portion of the deposits of a state or political subdivision. If the institution 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 $350,000 in deposits at an institution which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits ($250,000 in

this example). The institution has pledged securities with a value of $300,000 to secure these deposits. Only $250,000 of the political subdivision's $350,000 in deposits (the uninsured amount) would be considered "preferred deposits."

Item M4 Not applicable.

Item M5 Not applicable.

INSTRUCTIONS FOR THE PREPARATION OF

Other Borrowed Money
Schedule P

General Instructions

The amounts reported in column A are for the reporting branch or agency, including its IBF, and those reported in column B are for the reporting branch or agency's IBF only. If the reporting branch or agency has no IBF, no amounts are to be reported in column B. Exclude borrowings from related depository institutions as defined in the Glossary for this report (report in Schedule M).

Report in column A and B, as appropriate, the total amount borrowed by the reporting branch or agency, *including* its IBF, or by the IBF only,

(1) on its promissory notes;

(2) on notes and bills rediscounted (including commodity drafts rediscounted);

(3) on financial assets (other than securities) sold under repurchase agreements that have an original maturity of more than one business day and sales of participations in pools of loans that have an original maturity of more than one business day;

(4) by the creation of due bills representing the reporting institution's receipt of payment and similar instruments, whether collateralized or uncollateralized (see the Glossary entry for "due bills");

(5) from Federal Reserve Banks;

(6) by overdrawing "due from" balances with depository institutions, except overdrafts arising from transactions with related parties (report in Schedule M), 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 during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the fund received or held in connection with such checks or drafts as deposits in Schedule E until the funds are remitted);

(7) on purchases of "term federal funds" (as defined in the Glossary entry for "federal funds transactions");

(8) on subordinated notes and debentures;

(9) on interest-bearing demand notes (note balances) issued by the reporting institution to the U.S. Treasury; and

(10) on any other obligation for the purpose of borrowing money and that is not reported elsewhere.

Exclude from this item the following:

(1) Federal funds purchased and securities sold under agreements to repurchase (report in Schedule RAL, item 4(b); and

(2) liabilities resulting from sales of assets that the reporting institution does not own (see Glossary entry for "short position") (report in Schedule RAL, item 4(e)).

Item Instructions

Item 1 Owed to nonrelated commercial banks in the U.S. (including their IBFs).

Report all other liabilities for borrowed money that are owed to (borrowed from) nonrelated commercial banks in the U.S., including their IBFs, with a breakdown between the amounts which are owed to U.S. offices of nonrelated U.S. banks (item 1(a)) and the amounts which are owed to U.S. branches and agencies of nonrelated foreign banks (item 1(b)).

Schedule P

Item 1(a) Owed to U.S. offices of nonrelated U.S. banks.

Report the amount owed to (borrowed from) U.S. offices of nonrelated U.S. banks, including their IBFs.

Item 1(b) Owed to U.S. branches and agencies of nonrelated foreign banks.

Report the amount owed to (borrowed from) U.S. branches and agencies of nonrelated foreign banks, including their IBFs. For purposes of this schedule, the term "U.S. branches and agencies of foreign banks" covers:

(1) the U.S. branches and agencies of other 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.

Item 2 Owed to nonrelated banks in foreign countries.

Report all other liabilities for borrowed money that are owed to (borrowed from) nonrelated banks in foreign countries, with a breakdown between the amounts which are owed to foreign branches of nonrelated U.S. banks (item 2(a)), and the amounts which are owed to foreign offices of nonrelated foreign banks (item 2(b)).

Item 2(a) Owed to foreign branches of nonrelated U.S. banks.

Report the amounts owed to (borrowed from) foreign branches of nonrelated U.S. banks.

Item 2(b) Owed to foreign offices of nonrelated foreign banks.

Report the amounts owed to (borrowed from) foreign offices of nonrelated foreign banks.

Item 3 Owed to others.

Report all other liabilities for borrowed money owed to any lender other than a bank that cannot properly be reported in items 1 and 2, above.

Item 4 Total.

Report the sum of items 1 through 3.

Memorandum

Item M1 Immediately available funds with a maturity greater than one day included in other borrowed money.

Report the amount borrowed in the form of immediately available funds with a maturity greater than one day that is included in item 4 above. For a discussion of *immediately available funds*, see the Glossary entry for "federal funds transactions."

INSTRUCTIONS FOR THE PREPARATION OF

Financial Assets and Liabilities Measured at Fair Value
Schedule Q

General Instructions

Schedule Q is required to be completed only by branches and agencies that:

(1) Have elected to report financial instruments or servicing assets and liabilities at fair value under a fair value option with changes in fair value recognized in earnings, or

(2) Reported total trading assets of $10 million or more in any of the four preceding calendar quarters.

Your institution is not required to complete Schedule Q if the only financial instruments that your institution measures at fair value in the financial statements on a recurring basis are:

(3) Available-for-sale securities (reported in Schedule RAL, items 1(b) and 1(c)), and

(4) For institutions that have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities,

   (a) Equity securities with readily determinable fair values not held for trading (reported in Schedule RAL, item 1(c)(4), and Schedule RAL, Memorandum item 4), and

   (b) Equity securities and other equity investments that do not have readily determinable fair values that your institution measures at fair value (i.e., equity securities and other equity investments that do not have readily determinable values that your institution has not elected to measure at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer) (reported in Schedule RAL, item 1(h), as appropriate).

An institution that is required to complete Schedule Q should report all assets and liabilities that are measured at fair value in the financial statements on a recurring basis (i.e., annually or more frequently). Exclude from Schedule Q those assets and liabilities that are measured at fair value on a nonrecurring basis. Recurring fair value measurements of assets or liabilities are those fair value measurements that applicable accounting standards and these instructions require or permit in the balance sheet at the end of each reporting period. In contrast, nonrecurring fair value measurements of assets or liabilities are those fair value measurements that applicable accounting standards and these instructions require or permit in the balance sheet in particular circumstances (for example, when an institution subsequently measures foreclosed real estate at the lower of cost or fair value less estimated costs to sell).

Column Instructions

Column A, Total Fair Value Reported on Schedule RAL

Report in Column A the total fair value, as defined by ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, "Fair Value Measurements"), of those assets and liabilities reported in Column A on Schedule RAL, Assets and Liabilities, that the institution reports at fair value on a recurring basis.

Columns B through E, Fair Value Measurements and Netting Adjustments

For items reported in Column A, report in Columns C, D, and E the fair value amounts which fall in their entirety in Levels 1, 2, and 3, respectively. The level in

the fair value hierarchy within which a fair value measurement in its entirety falls should be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, for example, if the fair value of an asset or liability has elements of both Level 2 and Level 3 measurement inputs, report the entire fair value of the asset or liability in Column D or Column E based on the lowest level measurement input with the most significance to the fair value of the asset or liability in its entirety as described in ASC Topic 820. For assets and liabilities that the institution has netted under legally enforceable master netting agreements in accordance with ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts," and FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"), report the gross amounts in Columns C, D, and E and the related netting adjustment in Column B. For more information on Level 1, 2, and 3 measurement inputs, see the Glossary entry for "fair value."

Item Instructions

For each item in Schedule Q, the sum of columns C, D, and E less column B must equal column A.

Item 1 Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading purposes.

For institutions that have adopted FASB Accounting Standards Update No. 2016-01 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for-sale equity securities (see the General Instructions for Schedule RAL, Memorandum items 1 through 4), report in column A the sum of Schedule RAL, Memorandum items 3.a. and 4.

For institutions that have not adopted ASU 2016-01, report in column A the amount reported in Schedule RAL, Memorandum item 3.a.

Report in columns B through E, as appropriate, the fair values of the debt and equity securities reported in column A determined using Level 1, Level 2, and Level 3 measurement inputs and any netting adjustments.

Item 2 Federal funds sold and securities purchased under agreements to resell.

Report in the appropriate column the total fair value of those federal funds sold and securities purchased under agreements to resell reported in Schedule RAL, items 1.d.(1) and 1.d.(2), that the institution has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Item 3 Loans and leases held for sale.

Report in the appropriate column the total fair value of those loans held for sale reported in Schedule C, part I, that the institution has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Loans held for sale that the institution has elected to report under the fair value option are included in Schedule C, part I, and Schedule RAL, item 1.e. Exclude loans held for sale that are reported at the lower of cost or fair value in Schedule RAL, item 1.e, and loans that have been reported as trading assets in Schedule RAL, item 1.f. Leases are generally not eligible for the fair value option.

Item 4 Loans and leases held for investment.

Report in the appropriate column the total fair value of those loans held for investment reported in Schedule C, part I, that the institution has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Loans held for investment that the institution has elected to report under the fair value option are included in Schedule C, part I, and Schedule RAL, item 1.e. Leases are generally not eligible for the fair value option.

Item 5 Trading assets

Item 5(a) Derivative assets.

Report in the appropriate column the total fair value of derivative assets held for trading purposes as reported in Schedule RAL, item 1(f)(4); the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Item 5(b) Other trading assets.

Report in the appropriate column the total fair value of all trading assets, except for derivatives, as reported in

Schedule RAL, item 1(f); the fair values determined using Level 1, Level 2, and Level 3 measurement inputs, including the fair values of loans that have been reported as trading assets; and any netting adjustments.

Item 5(b)(1) Nontrading securities at fair value with changes in fair value reported in current earnings.

Report in the appropriate column the total fair value of those securities the institution has elected to report under the fair value option that is included in Schedule Q, item 5(b) above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Securities that the institution has elected to report at fair value under the fair value option are reported as trading securities pursuant to ASC Subtopic 825-10, Financial Instruments—Overall (formerly FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities"), even though management did not acquire the securities principally for the purpose of trading.

Item 6 All other assets.

Report in the appropriate column the total fair value of all other assets that are required to be measured at fair value on a recurring basis or that the institution has elected to report under the fair value option that is included in Schedule RAL, Assets and Liabilities, and is not reported in Schedule Q, items 1 through 5 above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Include derivative assets held for purposes other than trading, interest-only strips receivable (not in the form of a security) held for purposes other than trading, and other categories of assets required to be measured at fair value on the balance sheet on a recurring basis under applicable accounting standards.

Item 7 Total assets measured at fair value on a recurring basis.

Report the sum of items 1 through 5(b) plus item 6.

Item 8 Deposits.

Report in the appropriate column the total fair value of those deposits and credit balances reported in Schedule RAL, item 4(a), that the institution has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Deposits withdrawable on demand (e.g., demand and savings deposits) are generally not eligible for the fair value option.

Item 9 Federal funds purchased and securities sold under agreements to repurchase.

Report in the appropriate column the total fair value of those federal funds purchased and securities sold under agreements to repurchase reported in Schedule RAL, items 4(b)(1) and 4(b)(2), that the institution has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Item 10 Trading liabilities:

Item 10(a) Derivative liabilities.

Report in the appropriate column the total fair value of derivative liabilities held for trading purposes as reported in Schedule RAL, item 4(e); the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Item 10(b) Other trading liabilities.

Report in the appropriate column the total fair value of trading liabilities, except for derivatives, as reported in Schedule RAL, item 4(e); the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Item 11 Other borrowed money.

Report in the appropriate column the total fair value of those other borrowings reported in Schedule RAL, item 4(c), that the institution has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Item 12 Subordinated notes and debentures.

Report in the appropriate column the total fair value of those subordinated notes and debentures (including mandatory convertible debt) reported in Schedule RAL, item 4(f), that the institution has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Item 13 All other liabilities.

Report in the appropriate column the total fair value of all other liabilities that are required to be measured at fair value on a recurring basis or that the institution has elected to report under the fair value option that is included in Schedule RAL, Assets and Liabilities, and is not reported in Schedule Q, items 8 through 12 above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Include derivative liabilities held for purposes other than trading and other categories of liabilities required to be measured at fair value on the balance sheet on a recurring basis under applicable accounting standards.

Item 14 Total liabilities measured at fair value on a recurring basis.

Report the sum of items 8 through 13.

Memoranda

Item M1 All other assets.

Disclose in Memorandum items M1(a) through M1(f) each component of all other assets, and the dollar amount of such component, that is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule Q, item 6, column A. For each component of all other assets that exceeds this disclosure threshold for which a pre-printed caption has not been provided in Memorandum items M1(a) and M1(b), describe the component with a clear but concise caption in Memorandum items M1(c) through M1(f). These descriptions should not exceed 50 characters in length (including spacing between words).

Preprinted captions have been provided for the following categories of all other assets:

- Memorandum item M1(a), "Mortgage servicing assets," and
- Memorandum item M1(b), "Nontrading derivative assets."

Item M2 All other liabilities.

Disclose in Memorandum items M2(a) through M2(f) each component of all other liabilities, and the dollar amount of such component, that is greater than $100,000 and exceeds 25 percent of the amount reported in Schedule Q, item 13, column A. For each component of all other liabilities that exceeds this disclosure threshold for which a preprinted caption has not been provided in Memorandum items M2(a) and M2(b), describe the component with a clear but concise caption in Memorandum items M2(c) through M2(f). These descriptions should not exceed 50 characters in length (including spacing between words).

Preprinted captions have been provided for the following categories of all other liabilities:

- Memorandum item M2(a), "Loan commitments (not accounted for as derivatives)," and
- Memorandum item M2(b), "Nontrading derivative liabilities."

Memorandum items 3 and 4 are to be completed by branches and agencies that have elected to measure loans included in Schedule C, part I, items 1 through 8, at fair value under a fair value option.

Item M3 Loans measured at fair value.

Item M3.a Loans secured by real estate.

In column A, report in the appropriate subitem the total fair value of loans secured by real estate (as defined for Schedule C, part I, item 1). In column B, IBFs are to report in the appropriate subitem the total fair value of loans secured by real estate (as defined for Schedule C, part I, item 1).

Item M3.a.(1) Loans secured by 1–4 family residential properties.

Report the total fair value of all open-end and closed-end loans secured by 1–4 family residential properties included in Schedule C, part I, item 1.c, and measured at fair value under a fair value option.

Include:

(1) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit included in Schedule C, part I, item 1.c.(1), and measured at fair value under a fair value option.

(2) Closed-end loans secured by first and junior liens on 1-4 family residential properties included in Schedule C, part I, item 1.c.(2), and measured at fair value under a fair value option.

Item M3.a.(2) All other loans secured by real estate.
Report the total fair value of all other loans secured by real estate measured at fair value under a fair value option.

Include:

(1) Construction, land development, and other land loans included in Schedule C, part I, item 1.a, and measured at fair value under a fair value option.

(2) Loans secured by farmland included in Schedule C, part I, item 1.b, and measured at fair value under a fair value option.

(3) Loans secured by multifamily (5 or more) residential properties included in Schedule C, part I, item 1.d, and measured at fair value under a fair value option.

(4) Loans secured by nonfarm nonresidential properties included in Schedule C, part I, item 1.e, and measured at fair value under a fair value option.

Item M3.b Commercial and industrial loans.
Report the total fair value of commercial and industrial loans included in Schedule C, part I, item 4, and measured at fair value under a fair value option.

Item M3.c Other loans.
Report the total fair value of all other loans measured at fair value under a fair value option that cannot properly be reported in one of the preceding subitems of Memorandum item 3. Such loans include "Loans to depository institutions and acceptances of other banks," "Loans to financial institutions," "Loans for purchasing or carrying securities," "Loans to foreign governments and official institutions," and "All other loans" (as defined for Schedule C, part I, items 2, 3, 6, 7, and 8).

Item M4 Unpaid principal balance of loans measured at fair value.

Item M4.a Loans secured by real estate.
In column A, report in the appropriate subitem the unpaid principal balance of loans measured at fair value that are secured by real estate reported in memorandum item 3. In column B, IBFs are to report in the appropriate subitem the unpaid principal balance of loans measured at fair value that are secured by real estate reported in memorandum item 3.

Item M4.a.(1) Loans secured by 1–4 family residential properties
Report the total unpaid principal balance outstanding for all loans secured by 1–4 family residential properties measured at fair value under a fair value option reported in memorandum item 3.a.(1).

Include:

(1) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit included in Schedule C, part I, item 1.c.(1), and measured at fair value under a fair value option.

(2) Closed-end loans secured by first and junior liens on 1–4 family residential properties included in Schedule C, part I, item 1.c.(2), and measured at fair value under a fair value option.

Item M4.a.(2) All other loans secured by real estate.
Report the total unpaid principal balance outstanding for all other loans secured by real estate measured at fair value under a fair value option reported in memorandum item 3.a.(2).

Include:

(1) Construction, land development, and other land loans included in Schedule C, part I, item 1.a, and measured at fair value under a fair value option.

(2) Loans secured by farmland included in Schedule C, part I, item 1.b, and measured at fair value under a fair value option.

(3) Loans secured by multifamily (5 or more) residential properties included in Schedule C, part I, item 1.d, and measured at fair value under a fair value option.

(4) Loans secured by nonfarm nonresidential properties included in Schedule C, part I, item 1.e, and measured at fair value under a fair value option.

Item M4.b Commercial and industrial loans.

Report the unpaid principal balance of loans of commercial and industrial loans reported in memorandum item 3.b.

Item M4.c Other loans.

Report the unpaid principal balance of all other loans that cannot properly be reported in one of the preceding subitems of this Memorandum item 4. Such loans include "Loans to depository institutions and acceptances of other banks," "Loans to financial institutions," "Loans for purchasing or carrying securities," "Loans to foreign governments and official institutions," and "All other loans" (as defined for Schedule C, part I, items 2, 3, 6, 7, and 8) reported in memorandum item 3.c.

INSTRUCTIONS FOR THE PREPARATION OF

Servicing, Securitization and Asset Sale Activities
Schedule S

General Instructions

Schedule S includes information on assets that have been securitized or sold and are not reportable on Schedule RAL, except for certain on-balance-sheet retained interest-only strips (which are reported in item 2 of this schedule), subordinated securities and other enhancements (which are reported in items 2 and 9 and, if applicable, Memorandum items 1(a)(1) and (2)), and seller's interests (which are reported in item 6).

Column Instructions

Column A, 1–4 Family Residential Loans: 1–4 family residential loans are permanent closed-end loans secured by first or junior liens on 1-to-4 family residential properties.

Column B, Home Equity Lines: Home equity lines are revolving, open-end lines of credit secured by 1-to-4 family residential properties.

Column C, Credit Card Receivables: Credit card receivables are extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards.

Column D, Auto Loans: Auto loans are loans to individuals for the purpose of purchasing private passenger vehicles, including minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use.

Column E, Other Consumer Loans: Other consumer loans are loans to individuals for household, family, and other personal expenditures, excluding credit card receivables and auto loans as described in Columns C and D of this schedule.

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

Column G, All Other Loans, All Leases, and All Other Assets: For items 1 through 4, all other loans are loans that cannot properly be reported in Columns A through F of this schedule as defined for Schedule C, part I, items 1.a, 1.b, 1.d, 1.e, 2, 3, and 6 through 8. For items 9 and 10, all other loans are loans that cannot be reported in Columns A and D through F of this schedule as defined for Schedule C, part I, items 1.a, 1.b, 1.c.(1), 1.d, 1.e, 2, 3, and 6 through 8. For items 11 and 12, all other loans are all loans except 1–4 family residential loans as defined for Schedule C, part I, item 1.c.(2). All leases are all lease financing receivables as defined for Schedule C, part I, item 9. All other assets are all assets other than loans and leases, e.g., securities.

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

Definitions

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

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

(1) an interest in the transferred assets, e.g., credit-enhancing interest-only strips receivable, "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 interests and subordinated securities retained by a branch or agency when it securitizes assets expose the branch or agency to more than its pro rata share of loss and thus are considered a form of credit enhancement to the securitization structure.

Credit-enhancing interest-only strip, (i) represents the contractual right to receive some or all of the interest due on transferred assets; and (ii) exposes the institution to credit risk directly or indirectly associated with the transferred assets that exceeds a pro rata share of the institution's claim on the assets, whether through subordination provisions or other credit enhancement techniques. Credit-enhancing interest-only strips include other similar "spread" assets and can be either retained or purchased.

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

Seller's interest means the reporting branch or agency's ownership interest in loans that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller's interests should be reported on Schedule RAL as securities or as loans depending on the form in which the interest is held. However, seller's interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller's interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets attributable to investors, i.e., in the form of securities issued to investors.

Line Item Instructions

NOTE: After the effective date of the amendments to ASC Topic 860, Transfers and Servicing, and ASC Subtopic 810-10, Consolidation – Overall, resulting from Accounting Standards Update (ASU) No. 2009-16 (formerly FASB Statement No. 166, "Accounting for Transfers of Financial Assets") and ASU No. 2009-17 (formerly FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)"), respectively, a branch or agency should report information in Schedule S, items 1 through 7(b), only for those securitizations for which the transferred assets qualify for sale accounting or are otherwise not carried as assets on the reporting branch or agency's consolidated balance sheet. Thus, if a securitization transaction that qualified for sale accounting prior to the effective date of the amendments to ASC Topic 860 and ASC Subtopic 810-10 must be brought back onto the reporting branch or agency's consolidated balance sheet upon adoption of these accounting standards, the branch or agency would no longer report informa-

tion about the securitization in Schedule RC-S, items 1 through 8.

Securitization Activities

Item 1 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 in the appropriate column the principal balance outstanding as of the report date of loans and leases which the reporting branch or agency 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 in column C the amount outstanding of any credit card fees and finance charges that the reporting branch or agency has securitized and sold in connection with its securitization and sale of credit card receivable balances.

Exclude the principal balance of loans underlying seller's interests owned by the reporting institution; report the amount of seller's interests in Schedule S, item 6.

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. Report 1–4 family residential mortgages sold to Fannie Mae or Freddie Mac with recourse or other seller-provided credit enhancements in Schedule S, item 11, column A, and report the maximum credit exposure arising from the enhancements in item 12, column A.

Exclude securitizations that the reporting institution has accounted for as secured borrowings because the transactions do not meet the criteria for sale accounting under generally accepted accounting principles. The securitized loans and leases should continue to be carried as assets on the reporting institution's balance sheet.

Item 2 Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to structures reported in item 1.

Report in the appropriate column the maximum contractual credit exposure remaining as of the report date under recourse arrangements and other seller-provided credit enhancements provided by the reporting branch or agency to securitization structures reported in Schedule S, item 1, above. Credit enhancements provided or retained by the reporting branch or agency in connection with the securitization structures reported in Schedule S, item 1, include the carrying value of credit-enhancing interest-only strips included as securities, other assets, or trading assets in Schedule RAL; the carrying value of subordinated securities and other residual interests carried as on-balance sheet assets; the unused portion of standby letters of credit; and the maximum contractual amount of recourse or other credit exposure not in the form of an on-balance sheet asset. Do not report as the remaining maximum contractual exposure a reasonable estimate of the probable loss under the recourse arrangements or credit enhancement provisions or the fair value of any liability incurred under such provisions. Furthermore, do not reduce the remaining maximum contractual exposure by the amount of any associated recourse liability account. Report exposure amounts gross rather than net of any tax effects, e.g., any associated deferred tax liability.

Do not include unused portions of commitments that function as liquidity facilities (report such unused commitments in Schedule S, item 3).

Item 3 Reporting institution's unused commitments to provide liquidity to structures reported in item 1.

Item 3 is to be reported by branches and agencies with $100 billion or more in total assets.[1]

Report in the appropriate column the unused portions of commitments provided by the reporting institution to the securitization structures reported in Schedule S, item 1, above that function as liquidity facilities.

Item 4 Past due loan amounts included in item 1.

Report in the appropriate subitem the outstanding principal balance of loans and leases reported in

1. The asset size tests are based on the total assets reported in the preceding calendar year's June 30 FFIEC 002.

Schedule S, item 1, above that are 30 days or more past due as of the report date. For purposes of determining whether a loan or lease reported in item 1 above is past due, the reporting criteria to be used are the same as those for columns A and B of Schedule N.

Item 4(a) 30–89 days past due.
Report in the appropriate column the outstanding principal balance of loans and leases reported in Schedule S, item 1, above that are 30 to 89 days past due as of the report date.

Item 4(b) 90 days or more past due.
Report in the appropriate column the outstanding principal balance of loans and leases reported in Schedule S, item 1, above that are 90 days or more past due as of the report date.

Item 5 Not applicable.

Item 6 Amount of ownership (or seller's) interests carried as securities or loans.
Item 6 is to be reported by branches and agencies with $10 billion or more in total assets.[2]

Report in the appropriate column the carrying value of the reporting institution's ownership (or seller's) interests associated with the securitization structures reported in Schedule S, item 1, above. Such interests may be in the form of securities or loans.

Item 7 Not applicable.

Item 8 Not applicable.

For Securitization Facilities Sponsored By or Otherwise Established By Other Institutions

Item 9 Maximum amount of credit exposure arising from credit enhancements provided by the reporting institution to other institutions' securitization structures in the form of standby letters of credit, purchased subordinated securities, and other enhancements.
Report in the appropriate column the maximum contractual credit exposure remaining as of the report date under credit enhancements provided by the reporting branch or agency to securitization structures sponsored by or otherwise established by other institutions or entities, i.e., securitizations not reported in Schedule S, item 1, above. Report the unused portion of standby letters of credit, the carrying value of purchased subordinated securities, and the maximum contractual amount of credit exposure arising from other on- and off-balance sheet credit enhancements that provide credit support to these securitization structures. Do not report as the remaining maximum contractual exposure a reasonable estimate of the probable loss under credit enhancement provisions or the fair value of any liability incurred under such provisions. Furthermore, do not reduce the remaining maximum contractual exposure by the amount of any associated recourse liability account. Report exposure amounts gross rather than net of any tax effects, e.g., any associated deferred tax liability.

Exclude the amount of credit exposure arising from loans and leases that the reporting branch or agency has sold with recourse or other seller-provided credit enhancements to other institutions or entities, which then securitized the loans and leases purchased from the branch or agency (report this exposure in Schedule S, item 12, below).

Also exclude the amount of credit exposure arising from credit enhancements provided to asset-backed commercial paper conduits (report this exposure in Schedule S, Memorandum item 1(a)).

Item 10 Reporting institution's unused commitments to provide liquidity to other institutions' securitization structures.
Item 10 is to be reported by branches and agencies with $10 billion or more in total assets.[3]

Report in the appropriate column the unused portions of commitments provided by the reporting branch or agency that function as liquidity facilities to securitization structures sponsored by or otherwise established by other institutions or entities, i.e., securitizations not reported in Schedule S, item 1, above.

Exclude the amount of unused commitments to provide liquidity to asset-backed commercial paper con-

2. The asset size tests are based on the total assets reported in the preceding calendar year's June 30 FFIEC 002.

3. The asset size tests are based on the total assets reported in the preceding calendar year's June 30 FFIEC 002.

duits (report this amount in Schedule S, Memorandum item 1(b)).

Asset Sales

Item 11 Assets sold with recourse or other seller-provided credit enhancements and not securitized by the reporting institution.

Report in the appropriate column the unpaid principal balance as of the report date of loans and leases, which the reporting branch or agency has sold with recourse or other seller-provided credit enhancements, but which were not securitized by the reporting branch or agency. Include loans and leases that the reporting branch or agency has sold with recourse or other seller-provided credit enhancements to other institutions or entities, whether or not the purchaser has securitized the loans and leases purchased from the institution. Include 1–4 family residential mortgages that the reporting institution has sold to the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) with recourse or other seller-provided credit enhancements.

Item 12 Maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements provided to assets reported in item 11.

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

Memoranda

Item M1 Asset-backed commercial paper conduits:

Memorandum item 1 is to be reported by branches and agencies with $10 billion or more in total assets.[4]

Item M1(a) Maximum amount of credit exposure arising from credit enhancements provided to conduit structures in the form of standby letters of credit, subordinated securities, and other enhancements.

Report in the appropriate subitem the maximum contractual credit exposure remaining as of the report date under standby letters of credit, subordinated securities, and other credit enhancements provided by the reporting branch or agency to asset-backed commercial paper conduit structures. Do not report in these subitems a reasonable estimate of the probable loss under the credit enhancement provisions or the fair value of any liability incurred under such provisions. For the definition of "related institution," as that term is used in Memorandum items 1(a) and 1(b), see the entry for "related institutions" in the Glossary section of these instructions.

Item M1(a)(1) Conduits sponsored by the reporting institution or a related institution.

Report the unused portion of standby letters of credit, the carrying value of subordinated securities, and the maximum contractual amount of credit exposure arising from other credit enhancements that the reporting branch or agency has provided to asset-backed commercial paper conduit structures sponsored by the reporting branch or agency or a related institution.

Item M1(a)(2) Conduits sponsored by other unrelated institutions.

Report the unused portion of standby letters of credit, the carrying value of subordinated securities, and the maximum contractual amount of credit exposure arising from other credit enhancements that the reporting branch or agency has provided to asset-backed commercial paper conduit structures *other than those* spon-

4. The asset size tests are based on the total assets reported in the preceding calendar year's June 30 FFIEC 002.

sored by the reporting branch or agency or a related institution.

Item M1(b) Unused commitments to provide liquidity to conduit structures.

Report in the appropriate subitem the unused portions of commitments provided by the reporting branch or agency that function as liquidity facilities to asset-backed commercial paper conduit structures. Typically, these facilities take the form of a *Backstop Line (Loan Agreement)* or an *Asset Purchase Agreement*. Under a backstop line, the reporting branch or agency advances funds to the conduit when a draw is required under the liquidity facility. The advance is secured by the cash flow of the underlying asset pools. Under an asset purchase agreement, the reporting branch or agency purchases a specific pool of assets from the conduit when a draw is required under the liquidity facility. Typically, the reporting branch or agency is repaid from the cash flow on the purchased assets or from the sale of the purchased pool of assets.

Item M1(b)(1) Conduits sponsored by the reporting institution or a related institution.

Report the unused portions of commitments provided by the reporting branch or agency that function as liquidity facilities to asset-backed commercial paper conduit structures sponsored by the reporting institution or a related institution.

Item M1(b)(2) Conduits sponsored by other unrelated institutions.

Report the unused portions of commitments provided by the reporting branch or agency that function as liquidity facilities to asset-backed commercial paper conduit structures *other than those* sponsored by the reporting institution or a related institution.

INSTRUCTIONS FOR THE PREPARATION OF

Fiduciary and Related Services
Schedule T

General Instructions

NOTE: Schedule T is to be completed annually as of December 31 beginning with the December 31, 2001, reporting date.

Line Item Instructions

Line Item 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.

Line Item 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 serves in a fiduciary capacity as defined in the instructions for item 1 of this schedule.

Line Item 3 Does the institution have fiduciary or related activity (in the form of assets or accounts)?

Institutions 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 banking services such as retail and institutional brokerage 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 T.

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 rea-

sonable 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.

Institutions that have Individual Retirement Accounts, Keogh Plan accounts, and similar accounts that consist solely of deposits in the branch or agency itself and are not administered by the institution's trust department or other fiduciary activity should not report these accounts in Schedule 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., Branch A provides custody services to the trust accounts of Branch B, or Branch A provides investment management services to the trust accounts of Branch 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 loan balances. As another example, an account with a real estate asset and other 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 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, "Fair Value Measurements"), 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 (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended). 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.

Column A, Managed Assets: 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. 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. An entire account should be reported as either managed or non-managed based on the predominant responsibility of the reporting institution.

Column B, Non-managed Assets: 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.

Column C, Number of Managed Accounts: Report the total number of managed fiduciary accounts.

Column D, Number of Non-managed Accounts: Report the total number of non-managed fiduciary accounts.

Line Item 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 agency accounts, which should be reported in Schedule T, item 7. Also exclude Keogh Act plans, Individual Retirement Accounts (IRAs), and other pension or profit-sharing plans for self-employed individuals which should be reported in Schedule T, item 5(c). Personal accounts that are solely custody or safekeeping should be reported in item 10 of this schedule.

Line Item 5 Retirement related trust and agency accounts:

Line Item 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. 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 T, item 10.

Line Item 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. 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 T, item 10.

Line Item 5(c) Other retirement accounts.

Report the market value and number of accounts for all other retirement related fiduciary accounts in which the institution serves as trustee or agent. Include Keogh Act plans, Individual Retirement Accounts, and other pension or profit-sharing plans for self-employed individuals. Exclude accounts, originated by fiduciary or non-fiduciary personnel, that are solely administered to hold deposits of the reporting institution. Also exclude those retirement accounts that are originated and managed through a brokerage account. Other retirement accounts that are solely custody and safekeeping accounts should be reported in Schedule T, item 10.

Line Item 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 unpresented 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 T, item 10.

Line Item 7 Investment management agency accounts.

Report the market value and number of accounts for all individual and institutional investment management agency accounts that are administered within the fidu-

ciary area of the institution. Investment management agencies are those agency accounts in which the institution has investment discretion; however, title to the assets remain with the client. Include accounts in which the institution serves as a sub-advisor. Exclude investment management agency accounts that are administered in subsidiaries that are SEC 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.

Line Item 8 Other fiduciary accounts.

Report the market value and number of accounts for all other trusts and agencies not reported in Schedule T, items 4 through 7. Custody and safekeeping accounts should be reported in Schedule T, item 10.

Line Item 9 Total fiduciary accounts.

Report the sum of items 4 through 8.

Line Item 10 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.

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 T, items 4 through 8 and 10.

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 banking services such as retail and institutional brokerage 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.

Memoranda

Line Item M1 Managed assets held in personal trust and agency accounts.

Report in Memorandum items 1(a) through 1(k) the market value of managed assets held in the Personal Trust and Agency Accounts included in Schedule T, item 4, column A. For common trust funds and collective investment funds that are held for both managed and non-managed participating accounts, the proportionate share of the assets of these funds that are held for the participating accounts that are managed should be reported in Memorandum items 1(a) through 1(k), as appropriate. The proportionate share of fund assets held for non-managed participating accounts should not be included in these Memorandum items. To avoid duplication, the value of units of participation in collective investment funds should not be reported as assets of participating accounts. Where several institutions in the same affiliated group participate accounts in a collective investment fund maintained by one member of the affiliated group, each participating institution should report its proportionate share of the assets in the appropriate item. To compute the proportionate share of assets, multiply the total market value of the various asset groupings in the collective investment fund by the percentage of units of participation held to total units outstanding.

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.

Line Item M1(a) Noninterest-bearing deposits.
Report all noninterest-bearing deposits. Report noninterest-bearing deposits of both principal and income cash.

Line Item M1(b) Interest-bearing deposits.
Report all interest-bearing saving and time deposits. Include NOW accounts, MMDA accounts, "BICs" (bank investment contracts) which are insured by the FDIC, and certificates of deposit. Report interest-bearing deposits of both principal and income cash.

Line Item M1(c) U.S. Government and U.S. Government agency obligations.
Report all securities of and/or loans to the U.S. Government and U.S. Government corporations and agencies. Include certificates or other obligations, however named, that represent pass-through participations in pools of real estate loans when the participation instruments: (1) are issued by FHA approved mortgagees and guaranteed by the Government National Mortgage Association, or (2) are issued, insured, or guaranteed by a U.S. Government agency or corporation (e.g., the Federal Home Loan Mortgage Corporation's Mortgage Participation Certificates). Collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs) issued by the Federal National Mortgage Association (FNMA) ("Fannie Mae") and the Federal Home Loan Mortgage Corporation (FHLMC) ("Freddie Mac") should be included.

Line Item M1(d) State, county, and municipal obligations.
Report all short and long-term obligations of state and local governments, and political subdivisions of the United States. Include obligations of U.S. territories and insular possessions and their political subdivisions and all Federal income tax exempt obligations of authorities such as local housing and industrial development authorities that derive their tax-exempt status from relationships with State or local governments. Tax-exempt money market mutual funds should be reported with money market mutual fund in Schedule T, Memorandum item 1(e).

Line Item M1(e) Money market mutual funds.
Report all holdings of open-end registered investment companies—mutual funds—which attempt to maintain net asset values at $1.00 per share. Include taxable and tax-exempt money market mutual funds. Exclude short-term collective investment funds.

Line Item M1(f) Other short-term obligations.
Report all short-tem obligations (i.e., original maturities of less than 1 year, or 13 months in the case of the time portion of master notes). In addition to short-term notes, this would include such money market instruments as master note arrangements, commercial paper, bankers acceptances, securities repurchase agreements, and other short-term liquidity investments. Exclude state, county, and municipal obligations.

Line Item M1(g) Other notes and bonds.
Report all other bonds, notes (except personal notes), and debentures. Include corporate debt, insurance annuity contracts, "GICs" (guaranteed investment contracts), "BICs" (bank investment contracts) which are not insured by the FDIC, and obligations of foreign governments. Also include certificates or other obligations, however named, representing pass-through participations in pools of real estate loans when the participation instruments are issued by financial institutions and guaranteed in whole or in part by private guarantors. Collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs) which are *not* issued by the Federal National Mortgage Association (FNMA) ("Fannie Mae") and the Federal Home Loan Mortgage Corporation (FHLMC) ("Freddie Mac") should be reported here, even if the collateral consists of GNMA ("Ginnie Mae") or FNMA pass-throughs or FHLMC participation certificates. Exclude short-term obligations which should be reported in Schedule T, Memorandum item 1(f), above.

Line Item M1(h) Common and preferred stocks.
Report all holdings of domestic and foreign common and preferred equities, including warrants and options.

Include holdings of all mutual funds (open-end and closed-end) except money market funds which are reported in Schedule T, Memorandum item 1(e), above. Also include all unit investment trusts, regardless of the securities they are invested in (e.g., stocks, corporate bonds, and municipal bonds). Include ownership interests in private equity investments, limited liability companies, and any other pooled investment vehicle except those that are primarily invested in real estate which should be included in Schedule T, Memorandum item 1(j).

Line Item M1(i) Real estate mortgages.

Report real estate mortgages, real estate contracts, land trust certificates, and ground rents. These assets may be reported at unpaid balance if that figure is a fair approximation of market value.

Line Item M1(j) Real estate.

Report real estate, mineral interests, royalty interests, leaseholds, and other similar assets. Land and buildings associated with farm management accounts should be reported in this item. Investments in limited partnerships that are solely or primarily invested in real estate should also be reported here.

Line Item M1(k) Miscellaneous assets.

Report personal notes, tangible personal property, and other miscellaneous assets that cannot properly be reported in Schedule T, Memorandum items 1(a) through 1(j), above. Crops, equipment and livestock associated with farm management accounts should be reported in this item.

Line Item M1(l) Total managed assets held in personal trust and agency accounts.

Report the sum of Memorandum items 1(a) through 1(k). This item must equal Schedule T, item 4, column A.

Line Item M2 Corporate trust and agency accounts:

Line Item M2(a) Corporate and municipal trusteeships.

Report in column A the total number of corporate and municipal issues, as well as other debt issues such as unit investment trusts, for which the institution serves as trustee. If more than one institution is trustee for an issue, each institution should report the issue. Securities with different CUSIP numbers should be considered separate issues; however, serial bond issues should be considered as a single issue. When an institution serves as trustee of a bond issue, it may also perform agency functions for the issue such as registrar (transfer agent) or interest and principal paying agent. In those cases, report the issue only in Memorandum item 2(a), "Corporate and Municipal Trusteeships," as the trustee appointment is considered the primary function. Consider the primary function of the appointment when selecting the item in which to report the appointment. Exclude issues that have been called in their entirety or have matured even if there are unpresented bonds or coupons for which funds are being held.

Report in column B the total par value of outstanding debt securities for the issues reported in column A for which the institution serves as trustee. For zero-coupon bonds, report the final maturity amount. Exclude assets (i.e., cash, deposits, and investments) that are being held for corporate trust purposes; they should be reported in Schedule T, item 6, above.

Line Item M2(b) Transfer agent, registrar, paying agent, and other corporate agency.

Report in column A the total number of issues for which the institution acts in a corporate agency capacity. Include the total number of equity, debt, and mutual fund issues for which the institution acts as transfer agent or registrar. Separate classes of a mutual fund should be consolidated and reflected as a single issue. Include the total number of stock or bond issues for which the institution disburses dividend or interest payments. Also include the total number of issues of any other corporate appointments that are performed by the institution through its fiduciary capacity. Issues for which the institution serves in a dual capacity should be reported once. Corporate and Municipal Trusteeships reported in Schedule T, Memorandum item 2(a), above in which the institution also serves as transfer agent, registrar, paying agent, or other corporate agency capacity should not be included in Memorandum item 2(b). Include only those agency appointments that do not relate to issues reported in Schedule T, Memorandum item 2(a), above.

Line Item M3 Collective investment funds and common trust funds.

Report the number and market value of the assets held in Collective Investment Funds (CIFs) and Common Trust Funds operated by the reporting institution. If an institution operates a CIF that is used by more than one institution, the entire CIF should be reported in this section only by the institution which operates the CIF. Exclude mutual funds from this section. Each CIF should be categorized in the one item that best fits the fund type.

Line Item M3(a) Domestic equity.

Report funds investing primarily in U.S. equities. Include those seeking growth, income, growth and income, U.S. index funds and those concentrating on small, mid, or large cap domestic stocks. Exclude funds specializing in a particular sector (e.g., technology, health care, financial, and real estate), which should be reported in Schedule T, Memorandum item 3(g), "Specialty/other."

Line Item M3(b) International/Global equity.

Report funds investing exclusively in equities of issuers located outside the U.S. and those funds representing a combination of U.S. and foreign issuers. Include funds that specialize in a particular country, region, or emerging market.

Line Item M3(c) Stock/Bond blend.

Report funds investing in a combination of equity and bond instruments. Include funds with a fixed allocation along with those having the flexibility to shift assets between stocks, bonds, and cash.

Line Item M3(d) Taxable bond.

Report funds investing in taxable debt securities. Include funds that specialize in U.S. Treasury and U.S. Government agency debt, investment grade corporate bonds, high-yield debt securities, mortgage-related securities, and global, international, and emerging market debt funds. Exclude funds that invest in municipal bonds, which should be reported in Schedule T, Memorandum item 3(e), and funds that qualify as short-term investments, which should be reported in Schedule T, Memorandum item 3(f).

Line Item M3(e) Municipal bond.

Report funds investing in debt securities issued by states and political subdivisions in the U.S. Such securities may be taxable or tax-exempt. Include funds that invest in municipal debt issues from a single state. Exclude funds that qualify as short-term investments, which should be reported in Schedule T, Memorandum item 3(f).

Line Item M3(f) Short term investments/Money market.

Report funds that invest in short-term money market instruments with an average portfolio maturity that is limited to 90 days with individual securities limited to maturities of 13 months or less. Money market instruments may include U.S. Treasury bills, commercial paper, bankers acceptances, and repurchase agreements. Include taxable and nontaxable funds.

Line Item M3(g) Specialty/Other.

Include funds that specialize in equity securities of particular sectors (e.g., technology, health care, financial, and real estate). Also include funds that do not fit into any of the above categories.

Line Item M3(h) Total collective investment funds.

Report the sum of Memorandum items 3(a) through 3(g).

Glossary

The definitions in this Glossary apply to the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) 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 this report and are not intended to constitute a comprehensive presentation on bank accounting.

Accounting Errors, Corrections of

A branch or agency may become aware of an error in a report 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 a report for a prior period may result from:

(1) mathematical mistake;

(2) a mistake in applying accounting principles; or

(3) the improper use of information that existed when the reports for prior periods were prepared.

When a *material* error of one of these types is discovered in a report, the branch or agency *may* be directed to file amended report data.

Accounting Principles, Changes in

Changes in accounting principles should be made only if such changes result in the adoption of preferable accounting practices. Most changes in accounting principles will require an adjustment of the net due from/due to account balance.

Accretion of Discount on Securities

Accretion of discount on securities purchased below par or face value is required of all reporting institutions. The discount on securities should be accreted from date of purchase to maturity, *not* to call or put date.

Accrual of Loss Contingencies

An estimated loss (or expense) from a loss contingency (for example, pending or threatened litigation) should be accrued if it is probable that an asset had been impaired or a liability incurred as of the end of the reporting period *and* the amount of the loss can be reasonably estimated. Contingencies which might result in gains should *not* be recognized prior to their realization.

Agreement Corporation

See "Edge and Agreement corporation."

Allowance for Loan Losses:

Branches and agencies may choose to, but are not required to, maintain an allowance for loan losses on an office level. As of the end of each quarter, or more frequently if warranted, the management of each branch or agency must evaluate, subject to examiner review, the collectibility of the loan and lease portfolio, including any recorded accrued and unpaid interest (i.e., not already reversed or charged off). When available information confirms that specific loans and leases, or portions thereof, are uncollectible, the U.S. branch or agency should promptly charge off, or establish specific reserves for, these uncollectible amounts. For the purposes of this report, specific reserves established in lieu of taking charge-offs on specific loans and leases represent amounts that are uncollectible and, therefore, are confirmed losses. Loans and leases for which specific reserves have been established should be reported net of the specific reserves in this report.

Management must maintain reasonable records in support of their evaluations and entries.

When a branch or agency makes a full or partial direct write-down of a loan or lease through a charge-off, the institution establishes a new cost basis for the asset. Consequently, once a new cost basis has been established for a loan or lease, this cost basis may not be "written up" at a later date. Reversing the previous write-down and "re-booking" the charged-off asset after the institution concludes that the prospects for recovering the charge-off have improved, regardless of whether the institution assigns a new account number to the asset or the borrower signs a new note, is not an acceptable accounting practice.

Amortization of Premiums on Securities

Amortization on securities purchased above par or face value is required. The premium on securities should be amortized from date of purchase to maturity, *not* to call or put date.

Bankers Acceptances

A bankers acceptance, for purposes of this report, is a draft or bill of exchange that has been drawn on and accepted by a banking institution (the "accepting bank"), or its agent, for payment by the institution at a future date that is specified in the instrument. Drafts accepted by a banking institution are referred to as "acceptances executed'" by that institution. The customer named in the draft as responsible for payment to the accepting banking institution is referred to as the "account party." Funds are advanced to the drawer of the acceptance by the discounting of the accepted draft either by the accepting banking institution or by others. The accepted draft is negotiable and may be sold and resold subsequent to its original discounting. At the maturity date specified, the holder or owner of the acceptance at that date presents the acceptance to the accepting banking institution for payment.

The accepting banking institution has an unconditional obligation to pay the holder of the acceptance the fare amount of the draft or presentation on the specified maturity date. The account party (customer) has an unconditional obligation to put the accepting banking institution in funds at or before the maturity date specified in the instrument.

The following description covers the treatment in this report of:

(1) acceptances that have been executed by the reporting branch or agency, that is, those drafts that have been drawn on and accepted by it;

(2) "participations" in acceptances, that is, "participations" in the accepting branch or agency's obligation to put the holder of the acceptance in funds at maturity, or "participations" in the accepting branch or agency's risk of loss in the event of default by the account party;

(3) bankers acceptances owned and held by the reporting branch or agency, whether executed by it or by others, that the branch or agency has discounted or purchased; and

(4) "refinancing" of acceptances.

In the following discussion, the term "acceptances" is used to mean "bankers acceptances" Where, as in section 4(c) below, "trade acceptances" are referred to, that term is used explicitly.

(1) *Acceptances executed by the reporting branch or agency:* With the exceptions described below, the accepting branch or agency *must* report on its Report of Assets and Liabilities the *full* amount of the outstanding acceptances that it has executed *both* in (i) the liability item, "Branch or agency liability on acceptances executed and outstanding" (Schedule RAL, item 4(d)), reflecting the accepting branch or agency's obligation to put the holder of the acceptance in funds at maturity, and in (ii) the asset item, "Customers' liability to this branch or agency on acceptances outstanding" (Schedule RAL, item 1(g)), reflecting the account party's liability to put the accepting branch or agency in funds at or before maturity of the acceptance. The reporting of the full amount of an acceptance executed by the reporting branch or agency in both the acceptance asset and acceptance liability items also applies to the situation where a branch or agency accepts a draft on it drawn by a customer of its head office and where as a matter of internal control the head office shows the claim on the account party on head office books rather than on the branch or agency's books. For purposes of this report, if the branch or agency has accepted

the draft, it should report *both* the acceptance liability and the acceptance asset (customers' liability on acceptances) rather than only the acceptance liability balanced by a due from item on the head office. Exceptions to the mandatory reporting by the accepting branch or agency of the full amount of all outstanding drafts accepted by the reporting branch or agency in both Liability item 4(d) and Asset item 1(g) on schedule RAL of this report occur only in the following situations:

(a) One exception occurs in situations where the accepting branch or agency acquires—through initial discounting or subsequent purchase—and holds *its own* acceptance (i.e., *draft that it has itself accepted)*. In this case, acceptances executed by the reporting branch or agency that are held by it are not to be reported in "Branch or agency liability on acceptances executed and outstanding" and "Customers' liability to this branch or agency on acceptances outstanding" as noted above. Instead, the branch or agency's holdings of its own acceptances will be reported as loans (in item 1(e) of Schedule RAL and in Schedule C, part I, item 4, "Commercial and industrial loans," item 2, "Loans to depository institutions and acceptances of other banks," item 3, "Loans to other financial institutions," or item 6, "Loans to foreign governments and official institutions," depending upon the type of customer.) (NOTE: Holdings of acceptances of *other* banks (nonrelated) are reported in Schedule C, part I, item 2, "Loans to depository institutions and acceptances of other banks.")

(b) Another exception occurs in situations where the account party anticipates its liability to the accepting branch or agency on an acceptance outstanding by making payment to the branch or agency that reduces the customer's liability in advance of maturity of the acceptance. In this case, the reporting branch or agency will decrease the asset item "Customers' liability to this branch or agency on acceptances outstanding" (item 1(g) of Schedule RAL) by the amount of such prepayment; however, the prepayment will not affect the liability item "Branch or agency liability on acceptances executed and outstanding" (item 4(d) of Schedule RAL), which would continue to reflect the full amount of the acceptance until the branch or agency has paid the holder of the acceptance at the maturity date specified in the instrument. If the account party's payment to the accepting branch or agency before the maturity date is *not* for the purpose of immediate reduction of its indebtedness to the reporting branch or agency or if receipt of the payment does not immediately reduce or extinguish that indebtedness, such advance payment will not reduce item 1(g) of Schedule RAL but should be reflected in the branch or agency's deposit liabilities (item 4(a) of Schedule RAL and in Schedule E, as appropriate).

(c) A third exception occurs in the case of acceptance transactions of the reporting branch or agency with related banking institutions. In such instances, the reporting treatment specified below is consistent with the general reporting requirements for transactions with related depository institutions. When the account party is the reporting branch or agency's head office or another related banking institution, the reporting institutions's claim on the account party in connection with an acceptance executed by it should be reported as an item due from a related party and be reflected in Schedule RAL either in item 2 ("Net due from related depository institutions") or in item 5 ("Net due to related depository institutions"); it would not be reported in item 1(g) ("Customers' liability to this branch or agency on acceptances outstanding"). However, as in the case of other acceptances executed by the reporting institution, the reporting institution's liability for such an acceptance would be reported in item 4(d) ("Branch or agency liability on acceptances executed and outstanding").

(2) In all situations other than those exceptions discussed above, the accepting branch or agency

must report the *full* amount of its acceptances both in its liability item, "Branch or agency liability on acceptances executed and outstanding," and in its asset item, "Customers' liability to this branch or agency on acceptances outstanding." There are *no* other circumstances in which the accepting branch or agency can report as a liability in Schedule RAL anything less than the *full* amount of the obligation to put the holder of the acceptance in funds at maturity. Moreover, there are *no* circumstances in which the reporting branch or agency can net its acceptance assets against its acceptance liabilities.

(3) *"Participations" in acceptances:* The general requirement for the accepting branch or agency to report on its balance sheet the *full* amount of its obligation to put the holder of the acceptance in funds at maturity applies in particular to any situation in which the *accepting* branch or agency enters into any kind of arrangement with others (whether with a related or a nonrelated institution) for the purpose of having the latter share, or participate, in the risk of loss in the event of default on the part of the account party.[1] The existence of *any* such sharing arrangement or participation agreement does *not* reduce the accepting branch or agency's obligation to pay to the holder of the acceptance the full amount of the acceptance at maturity and does *not* change the requirement for the accepting branch or agency to report the full amount of the acceptance in the liability and asset items described above; the amount of the participation is not to be deducted from either the acceptance liability or the acceptance asset. This is the case in *any* such sharing arrangement or participation agreement, regardless of the form of the participation agreement or its contract provisions, regardless of the terminology (e.g., "funded," "risk," "unconditional," or "contingent") used to describe it and the relationships under it, regardless of whether it is described as a participation in the risk of default by the account party, in the customer's liability or in the accepting branch or agency's obligation, and regardless of the system of debits and credits used by the accepting branch or agency to reflect the participation arrangement. Such participations are *not* to be reported in *Schedule RAL* either by an accepting branch or agency that conveys shares in its risk of loss in the event of default on the part of the account party or by a branch or agency that acquires such participations. However, a branch or agency that has conveyed to others such participations in acceptances it has executed must report the outstanding amount of such participations in Schedule L, Off-Balance Sheet Items, item 5, "Participations in acceptances conveyed to others by the reporting (accepting) branch or agency."

(4) *Bankers acceptances owned by the reporting branch or agency:* The treatment of bankers acceptances owned or held by the reporting branch or agency (whether acquired by initial discount or subsequent purchase) depends upon whether the acceptances held have been accepted by the reporting branch or agency, by a banking institution related to the reporting branch or agency, or by *nonrelated* banks, and, in some cases, upon whether the account party is a banking institution related to the reporting branch or agency.

(d) All acceptances held in trading accounts that were executed by the reporting branch or agency *and* for which the *account party* is *not* a related banking institution and all acceptances held in trading accounts that were executed by *non-related* banking institutions are to be reported in Schedule RAL, item 1(f), "Trading assets."

(e) Acceptances held by the reporting branch or agency that were executed by it *and* for which the *account party* is *not* a related banking institution are to be reported in Schedule RAL, item 1(e), "Loans," and in Schedule C, part I, Loans, according to the account party of the draft. Thus, holdings of *own* acceptances are to be reported in Schedule C in "Commercial and industrial loans" (item 4) if the account parties are commercial or industrial enterprises; in the appropriate subitem of "Loans to depository institutions and acceptances of other banks"

1. This discussion does not deal with participations in holdings of bankers acceptances, which are reportable as loans. Such participations are treated like any participations in loans as described in the Glossary entry for "transfers of financial assets."

(item 2) if the account parties are nonrelated banking institutions (e.g., in connection with the refinancing of another acceptance or with the financing of dollar exchange); in "Loans to other financial institutions" (item 3) if the account parties are finance companies, etc.; or in "Loans to foreign governments and official institutions" (item 6) if the account parties are foreign governments or official institutions (e.g., for the financing of dollar exchange).

(f) Acceptances held by the reporting branch or agency that were executed by it and for which the account party *is* a banking institution related to the reporting branch or agency, are to be treated as an item due from a related banking institution. Consistent with the general treatment in this report of transactions with related depository institutions, holdings of such acceptances are *not* to be reported under loans but are to be reflected in Schedule RAL either in item 2 ("Net due from related depository institutions") or in item 5 ("Net due to related depository institutions"), and are also to be reported in the appropriate items of Schedule M.

(g) Acceptances held by the reporting branch or agency that were executed by *nonrelated* banking institutions are to be reported in Schedule RAL in "Loans" (item 1(e)) and in the appropriate subitem of "Loans to depository institutions and acceptances of other banks" (item 2) of Schedule C, part I. The difference in treatment in Schedule C between holdings of own acceptances (according to account party) as set forth in subparagraph (a) above and holdings of nonrelated banks' acceptances (according to the accepting institution) as set forth in this subparagraph reflects the fact that, for other banks' acceptances, the holding branch or agency's immediate claim is on the accepting bank, regardless of the account party or of the purpose of the loan. On the other hand, for its holdings of its own acceptances, the branch or agency's immediate claim is on the account party named in the accepted draft.

(h) Acceptances held by the reporting branch or agency that were executed by its head office or any other related banking institution represent claims of the reporting branch or agency against a related banking institution. Consistent with the general treatment of transactions with related depository institutions, the holding of such acceptances are *not* to be reported under loans but are to be reflected in Schedule RAL either in item 2, "Net due from related depository institutions," or in item 5, "Net due to related depository institutions," depending on the overall net position of the reporting branch or agency vis-à-vis its head office and other related depository institutions and are also to be reported in the appropriate items of Schedule M.

(5) *Refinancing of acceptances:* In some cases, a banking institution may refinance an acceptance that it has discounted and holds as an asset by itself, drawing a draft on another banking institution and obtaining these funds from the discounting of the latter acceptances. In these cases, the latter "refinancing" acceptance is to be reported as a transaction separate and distinct from the underlying original acceptance that is being financed in this way. The original acceptance that is being refinanced will continue to be reported in accordance with the requirements of paragraph 3 above if a bankers acceptance and as a loan if it is a trade acceptance. (See the discussion in subparagraph (c) below for the treatment of a different form of *trade* acceptance refinancing.) The reporting of the "refinancing" acceptance will depend upon the characteristics of the acceptance transaction and of the parties to it:

(i) If the reporting institution has refinanced its holdings of acceptances by drafting a draft on a *nonrelated* banking institution, it must report its liability to the accepting bank in item 4(c) ("Other borrowed money") of Schedule RAL and also in the appropriate item of Schedule P. The nonrelated banking institution executing the refinancing accep-

tance will report as it would any other acceptance executed by it (as described in previous paragraphs) with no reference to the original underlying acceptance.

(j) If the reporting branch or agency's refinancing draft is drawn on and accepted by a *related* banking institution (either a related U.S. bank or a related branch or agency), then, in accordance with the instructions on the treatment of transactions with related banking institutions, its liability, as the drawer of the bankers acceptance, to the accepting banking institution would be an item due to related banking institutions and be reflected in Schedule RAL, *not* in the "Other borrowing" item, but either in "Net due to related depository institutions" (item 5) or in "Net due from related depository institutions" (item 2) depending on the overall net position vis-à-vis related banking institutions and also be reported in the appropriate item of Schedule M. Similarly, the related institution would report the acceptance it had executed for its related banking institution as it would any acceptance executed for a related banking institution as provided by the appropriate instructions above.

(k) A somewhat different kind of "refinancing" of trade acceptances involving not the drawing of a draft by the reporting branch or agency on another bank but its execution of an acceptance drawn on it by a trade customer, arises in the case where (a) a reporting branch or agency has acquired, through discounting, *trade* acceptances of a trading company and (b) the trading company "subsequently" (which may be fairly immediate) consolidates the trade acceptances by drawing on the same branch or agency a draft (a so-called "accommodation draft") collateralized by the original trade acceptances (which also serves as part of the documentation permitting the latter bankers acceptance to be treated as an eligible acceptance.) The "accommodation draft" is then accepted by the reporting branch or agency and sold into the secondary market. In this circumstance (in which the trading company does not realize any new funds), the use of the original *trade* acceptances as collateral for the subsequent bankers acceptance constitutes, in effect, a reversal of the original discounting of the *trade* acceptances by the branch or agency. Thus, *once* the reporting branch or agency executes such a "consolidating" bankers acceptance, there will be no further reflection in the reporting branch or agency's Schedule RAL of the holding of the original *trade* acceptances; and the "consolidating" bankers acceptance executed by the reporting branch or agency will be reported as provided in the basic instructions, i.e., in items 1(g) and 4(d) of Schedule RAL. If the report date falls *after* the original discounting of the *trade* acceptances but before the execution of the consolidating *bankers* acceptance, the holding of the trade acceptances would be reflected in "Loans" and there would, of course, be no reflection of the execution of the bankers acceptance in the report for that date.

Banks, U.S. and Foreign

In the classification of banks as *customers* of the reporting branch or agency, distinctions are drawn for purposes of this report between "U.S. banks" and "commercial banks in the U.S." and between "foreign banks" and "banks in foreign countries." Some report items call for one set of these categories and other items call for the other set. The distinctions center around the inclusion or exclusion of foreign branches of U.S. banks and U.S. branches and agencies of foreign banks. For purposes of describing the office location of banks as *customers* of the reporting branch or agency, the term "United States" covers the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. (However, for the coverage of the term "United States" in Schedule M, see the instructions for that schedule.)

U.S. banks

The term "U.S. banks" covers both the U.S. and foreign branches of banks chartered and headquartered in the U.S. (including U.S.-chartered banks owned by

foreigners), but *excluding* U.S. branches and agencies of foreign banks. On the other hand, the term "banks in the U.S." or "commercial banks in the U.S." (the institutional coverage of which is described in detail later in this entry) covers the U.S. offices of U.S. banks (including their IBFs) and the U.S. branches and agencies of foreign banks, but *excludes* the foreign branches of U.S. banks.

Foreign banks

Similarly, the term "foreign banks" covers all branches of banks chartered and headquartered in foreign countries (including foreign banks owned by U.S. nationals and institutions), including their U.S.-domiciled branches and agencies, but *excluding* the foreign branches of U.S. banks. In contrast, the term "banks in foreign countries" covers *foreign-domiciled* branches of banks, *including* the foreign branches of U.S. banks, but *excluding* the U.S. branches and agencies of foreign banks.

The following table summarizes these contrasting categories of banks considered as customers as used in this report. ("X" indicates inclusion; no entry indicates exclusion.)

Commercial banks in the U.S.

The detailed institutional composition of "commercial banks in the U.S." includes:

(1) *the U.S.-domiciled head offices and branches* of:

- (a) national banks;
- (b) state-chartered commercial banks;
- (c) trust companies that perform a commercial banking business;
- (d) industrial banks;
- (e) private or unincorporated banks;
- (f) International Banking Facilities (IBFs) of U.S. banking institutions;
- (g) Edge and Agreement corporations; and

(2) the *U.S.-domiciled* branches and agencies of foreign banks (as defined below).

This coverage includes the U.S. institutions listed above that are owned by foreigners. *Excluded* from commercial banks in the U.S. are branches located in foreign countries of U.S. banks.

U.S. savings and loan associations and savings banks are treated as "other depository institutions in the U.S." for purposes of this report.

U.S. branches and agencies of foreign banks

U.S. *branches* of foreign banks include any offices or places of business of foreign banks that are located in the United States at which deposits are accepted. U.S. *agencies* of foreign banks include any offices or places of business of foreign banks that are located in the United States at which credit balances are maintained incidental to or arising out of the exercise of banking powers but at which deposits may not be accepted from citizens or residents of the United States.

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

Brokered deposits represent funds which the reporting branch obtains, directly or indirectly, by or through any deposit broker for deposit into one or more deposit accounts. Thus, 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.

In some cases, brokered deposits are issued in the name of the depositor whose funds have been placed in an institution by a deposit broker. In other cases, an institution'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 exemptions from the "deposit broker" definition in Section 29 of the Federal Deposit Insurance Act and this Glossary entry, these custodial accounts should be reported as brokered deposits in Schedule E, Deposit Liabilities.

A deposit listing service whose only function is to provide information on the availability and terms of accounts is not facilitating the placement of deposits and therefore is not a deposit broker per se. However, if a deposit broker uses a deposit listing service to identify an institution offering a high rate on deposits and then places its customers' funds at that institution, the deposits would be brokered deposits and the institution should report them as such in Schedule E. The designation of these deposits as brokered deposits is based not on the broker's use of the listing service but on the placement of the deposits in the institution by the deposit broker.

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.

Call Option

See "derivative contracts."

Certificate of Deposit

See "deposits."

Commercial Banks in the U.S.

See "banks, U.S. and foreign."

Commercial Letter of Credit

See "letter of credit."

Commercial Paper

Commercial paper consists of short-term negotiable promissory notes issued in the United States by commercial businesses, including finance companies and banks. Commercial paper usually matures in 270 days or less and is not collateralized. Commercial paper may be backed by a standby letter of credit from a bank, as in the case of documented discounted notes. Holdings of commercial paper are to be reported as "securities" in Schedule RAL, item 1(c)(3), "Other asset-backed securities," or item 1(c)(4), "All other" bonds, notes, debentures, and corporate stock, unless held for trading and therefore reportable in Schedule RAL, item 1(f), "Trading assets."

Commodity or Bill-of-Lading Draft

A commodity or bill-of-lading draft is a draft that is issued in connection with the shipment of goods. If the commodity or bill-of-lading draft becomes payable only when the shipment of goods against which it is payable arrives, it is an arrival draft. Arrival drafts are usually forwarded by the shipper to the collecting depository institution with instructions to release the shipping documents (e.g., bill of lading) conveying title to the goods only upon payment of the draft. Payment, however, cannot be demanded until the goods have arrived at the drawee's destination. Arrival drafts provide a means of insuring payment of shipped goods at the time that the goods are released.

Credit Balances

Credit balances are balances booked by the reporting institution as credit balances *or* maintained by the reporting institution and owed to third parties that are incidental to or that arise from the exercise of banking powers.

Custody Account

A custody account is one in which securities or other assets are held by a branch or agency on behalf of a customer under a safekeeping arrangement. Assets held in such capacity are not to be reported in the balance sheet of the reporting branch or agency nor are such accounts to be reflected as a liability. However, these assets may be reportable on Schedule T, Fiduciary and Related Services. Assets of the reporting branch or agency held in custody accounts at other banks' branches or agencies are to be reported on the reporting branch or agency balance sheet in the appropriate asset categories as if held in the physical custody of the reporting branch or agency.

Demand Deposits

See "deposits."

Depository Institutions in the U.S.

(1) U.S. branches and agencies of foreign banks;

(2) U.S.-domiciled head offices and branches of U.S. banks, i.e.,

  (a) national banks,

  (b) state-chartered commercial banks,

  (c) trust companies that perform a commercial banking business,

  (d) industrial banks,

  (e) private or unincorporated banks,

  (f) Edge and Agreement corporations, and

  (g) International Banking Facilities (IBFs) of U.S. banking institutions;

(3) U.S.-domiciled head offices and branches of other depository institutions in the U.S., i.e.,

  (h) mutual or stock savings banks,

  (i) savings or building and loan associations,

  (j) cooperative banks,

  (k) credit unions,

  (l) homestead associations,

  (m) other similar depository institutions in the U.S., and

  (n) International Banking Facilities (IBFs) of other depository institutions in the U.S.

(4) 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

(5) 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.

Deposits

The basic statutory and regulatory definitions of "deposits" are contained in Section 3(1) of the Federal Deposit Insurance Act (FDI Act) and in Federal Reserve Regulation D. The definitions in these two legal sources differ in certain respects. Furthermore, for purpose of this report, the reporting standards for deposits specified in these instructions do not strictly follow the precise legal definitions in these two sources. The definitions of deposits to be reported in the deposit items of this report are discussed below under the following headings:

I. FDI Act definition of deposits.

II. Transaction–nontransaction deposit distinction.

III. Interest-bearing–noninterest-bearing deposit distinction.

I. FDI Act definition of deposits:

Section 3(1) states that the term "deposit" means—

(1) the unpaid balance of money or its equivalent received or held by a bank or savings association in the usual course of business and for which it has given or is obligated to give credit, either con-

ditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank or savings association, or a letter of credit or a traveler's check on which the bank or savings association is primarily liable: Provided, That, without limiting the generality of the term "money or its equivalent," any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank for collection,

(2) trust funds as defined in this Act received or held by such bank, whether held in the trust department or held or deposited in any other department of such bank, without being limited to those issued in payment for services, dividends, or purchases, and

(3) money received or held by a bank, or the credit given for money or its equivalent received or held by a bank, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including without being limited to, escrow funds, funds held as security for an obligation due to the bank or others (including funds held as dealers reserves) or for securities loaned by the bank, funds deposited by debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States Government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes: Provided, that there shall not be included funds which are received by the bank for immediate application to the reduction of an indebtedness to the receiving bank, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness,

(4) outstanding draft (including advice or authorization to charge bank's or savings association's balance in another bank or savings association), cashier's check, money order, or other officer's check issued in the usual course of business for any purpose, including

(5) such other obligations of a bank or savings association as the Board of Directors (of the Federal Deposit Insurance Corporation), after consultation with the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage, except that the following shall not be a deposit for any of the purposes of this Act or be included as part of the total deposits or of an insured deposit:

(a) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of and State, unless—

(i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and

(ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and

(b) any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the Board of Governors of the Federal Reserve System in Regulation D or any successor regulation issued by the Board of Governors of the Federal Reserve System; and

(c) any liability of an insured depository institution that arises under an annuity contract, the income of which is tax deferred under section 72 of the Internal Revenue Code of 1986.

II. Transaction-nontransaction deposit distinction

The Monetary Control Act of 1980 and the current Federal Reserve Regulation D, "Reserve Requirements

of Depository Institutions," establish, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." All deposits that are not transaction accounts are "nontransaction accounts."

(1) *Transaction accounts*—With the exceptions noted below, a "transaction account," as defined in Regulation D and in these instructions, is 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 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.

Excluded from transaction accounts are savings deposits (both money market deposit accounts (MMDAs) and other savings deposits) as defined below in the nontransaction account category, even though such deposits permit some third-party transfers. However, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the transfer limitations specified for that account shall be reported as a transaction account. (Please refer to the definition of savings deposits for further detail.)

NOTE: Under the Federal Reserve's current Regulation D, no transaction account, regardless of its other characteristics, is classified either as a savings deposit or as a time deposit. Thus, those transaction accounts that are *not* demand deposits—NOW accounts, ATS (Automatic Transfer Service) accounts, and telephone and preauthorized transfer accounts—are *excluded* from Regulation D time and savings deposits.

Transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts (including accounts previously designated as "Super NOWs"); (c) ATS accounts; and (d) telephone and preauthorized transfer accounts, all as defined below. Interest that is paid by the crediting of transaction accounts is also included in transaction accounts.

(a) *Demand deposits* are deposits that are payable immediately on demand, or that are issued with an original maturity or required notice period of less than seven days, or that represent funds for which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal. Demand deposits include any matured time deposits without automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account. Effective July 21, 2011, demand deposits may be interest-bearing or noninterest-bearing. Demand deposits do *not* include: (i) money market deposit accounts (MMDAs) or (ii) NOW accounts, as defined below in this entry.

(b) *NOW accounts* are interest-bearing deposits (i) 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* (ii) that can be withdrawn or transferred to third parties by insurance of a negotiable or transferable instrument. NOW accounts, as authorized by federal law, are limited to accounts held by:

(i) Individuals or sole proprietorships;

(ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are not operated for profit. These include organizations, partnerships, corporations, or associations that are not organized for profit *and* are described in section 501(c)(3) through (13) and (19) and section 528 of the Internal Revenue Code, such as church organizations; professional associations; trade associations; labor unions; fraternities, sororities and similar social organizations; and non-profit recreational clubs; or

(iii) Governmental units including the federal government and its agencies and

instrumentalities; state governments; county and municipal governments and their political subdivisions; the District of Columbia; the Commonwealth of Puerto Rico, American Samoa, Guam, and any territory or possession of the United States and their political subdivisions.

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. Some institutions may have entered into agreements with their customers providing that in the event the customer should overdraw a demand deposit (checking) or NOW account, the institution will transfer from that customer's savings account an amount sufficient to cover the overdraft. The availability of the overdraft protection plan would not in and of itself require that such a savings account be regarded as a transaction account *provided that* the overall transfer and withdrawal restrictions of a savings deposit are not exceeded. Please refer to the definition of savings deposit for further detail.

(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, (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, and (3) under the terms of which, or by practice of the reporting institution, the depositor is permitted or authorized to make *more than six* withdrawals per month or statement cycle (or similar period) of at least four weeks for purposes of transferring funds to another account of the depositor at the same institution (including a transaction account) or for making payment to a third party by means of preauthorized transfer, or telephonic (including data transmission) agreement, order or instruction. An account that permits or authorizes more than six such withdrawals in a "month" (a calendar month or any period approximating a month that is at least four weeks long, such as a statement cycle) is a transaction account whether or not more than six such withdrawals actually are made in the "month." 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.

(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.

However, an account is *not* a transaction account merely by virtue of arrangements that permit the following types of transfer or withdrawals, regardless of the number:

(i) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).

(ii) Transfers of funds from this account to another account of the same depositor at the same depository institution when made by mail, messenger, automated teller machine, or in person.

(iii) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).

(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 this report. *NOTE:* Under the Federal Reserve's current Regulation D, no transaction accounts, regardless of other characteristics, are defined as savings or time deposits. Thus, *savings deposits as defined here,* under the heading nontransaction accounts, *constitute the entire savings deposit category*. Likewise, time deposits, also defined here under nontransaction accounts, constitute the entire time deposits category.

(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 and from which, under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make *no more than six transfers and withdrawals,* or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order, or instruction; or by check, draft, debit card, or similar order made by the depositor and payable to third parties. Transfers from savings deposits for purposes of covering overdrafts (overdraft protection plans) are included under the withdrawal limits specified for savings deposits. There are no regulatory restrictions on the following types of transfers or withdrawals from a savings deposit account, regardless of the number:

(i) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).

(ii) Transfers of funds from this account to another account of the same depositor at the same institution when made by mail, messenger, automated teller machine, or in person.

(iii) Withdrawals for payment directly to the depositor when made by mail, messenger automated teller machine, in person, or by telephone (via check mailed to the depositor).

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. On the other hand, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the six-transfer/withdrawal rule shall be reported as a transaction account, as follows:

(i) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.

(ii) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or pre-authorized transfer account, or an ATS account:

(a) If withdrawals or transfers by check, draft, or similar instrument are permitted or authorized, the account is considered a NOW account.

(b) If withdrawals or transfers by check, draft, or similar instrument are *not* permitted or authorized, the account is considered either an ATS account or a telephone or pre-authorized transfer 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 this report.

(i) *Money market deposit accounts (MMDAs)* are deposits or accounts that meet the above definition of a savings deposit and that permit *up to (but no more than) six allowable transfers* to be made by check, draft, debit card or similar order made by the depositor and payable to third parties.

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

Examples illustrating distinctions between MMDAs and other savings deposits for purposes of this report 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 acknowledgment issued by the branch or agency, 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:

(a) on a certain date not less than seven days after the date of deposit,

(b) at the expiration of a specified period not less than seven days after the date of the deposit, or

(c) upon written notice to the branch or agency 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:

(a) the date of maturity which shall be not less than seven days after the date of the deposit, or

(b) 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:

(i) 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 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.

(ii) 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

In an effort to reduce their reserve requirements, some branches and agencies have established sweep arrangements that involve transfers of retail customers' deposits between two subaccounts. In a typical arrangement, a branch or agency creates a master account and two subaccounts: a transaction subaccount (either a demand deposit account or a NOW account), which is subject to reserve requirements, and a nontransaction savings subaccount (a special-purpose money market deposit account (MMDA)), which is not subject to

reserve requirements. Depending upon the balances in the two subaccounts on a particular day, the branch or agency will shift funds from the transaction subaccount to the MMDA subaccount or vice versa. On some days, the balance in the MMDA subaccount may be zero. (For purposes of the Federal Reserve's Regulation D, there is no distinction between an MMDA and any other form of savings account in terms of legally required restrictions on transfers.) For purposes of this report, the transaction subaccount and MMDA subaccount must be treated separately when a branch or agency reports its quarter-end deposit information in Schedules RAL, E, and O.

(III) Interest-bearing-noninterest-bearing deposit distinction

(1) *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.

(2) *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."

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 *up to six, but no more than six*, "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 *no more than six* "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties *any or all of which* may be made 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

Branches and agencies 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 branches and agencies must follow for purposes of this report. 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 a 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; and

(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.

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.

However, a loan commitment may meet ASC Topic 815's definition of a derivative instrument. For example, loan commitments to originate or acquire mortgage loans that will be resold as part of an institution's mortgage banking operations are derivative instruments.

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 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 deliverables 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 to, 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 future date. A *written option* obligates the option seller to purchase or sell the instrument at the option of the buyer of the contract. Option contracts may relate to purchases or sales of securities, money market instruments, futures contracts, other financial instruments, or commodities.

Interest rate caps are option contracts in which the cap seller, in return for a premium, agrees to limit the cap holder's risk associated with an increase in interest rates. If rates go above a specified interest-rate level (the strike price or cap rate), the cap holder is entitled to receive cash payments equal to the excess of the market rate over the strike price multiplied by the notional principal amount. For example, an issuer of floating-rate debt may purchase a cap to protect against rising interest rates, while retaining the ability to benefit from a decline in rates.

Interest rate floors are option contracts in which the floor seller, in return for a premium, agrees to limit the risk associated with a decline in interest rates based on a notional amount. If rates fall below an agreed rate, the floor holder will receive cash payments from the floor writer equal to the difference between the market rate and an agreed rate, multiplied by the notional principal amount.

Interest rate collars are option contracts that combine a cap and a floor (one held and one written). Interest rate collars enable a user with a floating rate contract to lock into a predetermined interest-rate range often at a lower cost than a cap or a floor.

Embedded Derivatives

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

(1) The economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract,

(2) The contract ("the hybrid instrument") that embodies the embedded derivative and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and

(3) A separate instrument with the same terms as the embedded derivative instrument would be considered a derivative.

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

(1) The hybrid instrument can contractually be settled in such a way that the investor (holder)

would not recover substantially all of its initial recorded investment, or

(2) The embedded derivative could at least double the investor's initial rate of return on the host contract and could also result in a rate of return that is at least twice what otherwise would be the market return for a contract that has the same terms as the host contract and that involves a debtor with a similar credit quality.

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

Under ASC Subtopic 815-15, Derivatives and Hedging—Embedded Derivatives (formerly FASB Statement No. 155, "Accounting for Certain Hybrid Financial Instruments"), a branch or agency with a hybrid instrument for which bifurcation would otherwise be required is permitted to irrevocably elect to initially and subsequently measure the hybrid instrument in its entirety at fair value with changes in fair value recognized in earnings. In addition, ASC Subtopic 815-15 subjects all but the simplest forms of interest-only and principal-only strips and all forms of beneficial interests in securitized financial assets to the requirements of ASC Topic 815. Thus, a branch or agency must evaluate such instruments to identify those that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. However, a beneficial interest that contains a concentration of credit risk in the form of subordination to another financial instrument and certain securitized interests in prepayable financial assets are not considered to contain embedded derivatives that must be accounted for separately from the host contract. For further information, see ASC Subtopic 815-15, Derivatives and Hedging—Embedded Derivatives (formerly Derivatives Implementation Group Issue No. B40, "Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets").

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

Recognition of Derivatives and Measurement of Derivatives and Hedged Items

A branch or agency should recognize all of its derivative instruments on Schedule RAL as either assets or liabilities at fair value. As defined in ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), fair value is the amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Quoted market prices in active markets are the best evidence of fair value and should be used as the basis for the measurement, if available. If a quoted market price is available, the fair value is the product of the number of trading units times that market price. If a quoted market price is not available, the estimate of fair value should be based on the best information available in the circumstances. The estimate of fair value should consider prices for similar assets or similar liabilities and the results of valuation techniques to the extent available in the circumstances.

Examples of valuation techniques include the present value of expected future cash flows using discount rates commensurate with the risk involved, option-pricing models, matrix pricing, option-adjusted spread analysis, and fundamental analysis. Valuation techniques for measuring assets and liabilities should be consistent with the objective of measuring fair value. Those techniques should incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment, and volatility.

If expected future cash flows are used to estimate fair value, those expected future cash flows should be the best estimate based on reasonable and supportable projections. All available evidence should be considered in developing estimates of expected future cash flows. The weight given to the evidence should be commensurate with the extent to which the evidence can be objectively verified. If a range is estimated for either the amount or the timing of possible cash flows, the likelihood of possible outcomes should be considered in determining the best estimate of future cash flows.

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

(1) *No hedging designation*—The gain or loss on a derivative instrument not designated as a hedging instrument, including all derivatives held for trading purposes, is recognized currently in earnings (as reflected in net due from/due to accounts).

(2) *Fair value hedge*—For a derivative designated as hedging the exposure to changes in the fair value of a recognized asset or liability or a firm commitment, which is referred to as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the risk being hedged should be recognized currently in earnings (as reflected in net due from/due to accounts).

(3) *Cash flow hedge*—For a derivative designated as hedging the exposure to variable cash flows of an existing recognized asset or liability or a forecasted transaction, which is referred to as a cash flow hedge, the effective portion of the gain or loss on the derivative should initially be reported outside of earnings as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, (i.e., the ineffective portion of the gain or loss and any component of the gain or loss excluded from the assessment of hedge effectiveness) should be recognized currently in earnings. For purposes of this report, this means that the entire gain or loss on the derivative should be reflected in net due from/due to accounts.

(4) *Foreign currency hedge*—For a derivative designated as hedging the foreign currency exposure of a net investment in a foreign operation, the gain or loss is reported outside of earnings in other comprehensive income as reflected in net due from/due to accounts. For a derivative designated as a hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security, the accounting for a fair value hedge should be applied. Similarly, for a derivative designated as a hedge of the foreign currency exposure of a foreign-currency denominated forecasted transaction, the accounting for a cash flow hedge should be applied.

To qualify for hedge accounting, the risk being hedged must represent an exposure to an institution's earnings. In general, if the hedged item is a financial asset or liability, the designated risk being hedged can be (1) all risks, i.e., the risk of changes in the overall fair value of the hedged item or the risk of overall changes in the hedged cash flows; (2) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the benchmark interest rate[2] (3) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in foreign exchange rates; or (4) the risk of changes in the fair value or cash flows of the hedged item attributable to changes in the obligor's creditworthiness. For held-to-maturity securities, only credit risk, foreign exchange risk, or both may be hedged

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

2. The benchmark interest rate is a widely recognized and quoted rate in an active financial market that is broadly indicative of the overall level of interest rates attributable to high-credit-quality obligors in that market. In theory, this should be a risk-free rate. In the U.S., interest rates on U.S. Treasury securities and the LIBOR swap rate are considered benchmark interest rates.

(1) At inception of the hedge, there is formal documentation of the hedging relationship and the institution's risk management objective and strategy for undertaking the hedge, including identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the hedging instrument's effectiveness will be assessed. There must be a reasonable basis for how the institution plans to assess the hedging instrument's effectiveness.

(2) Both at inception of the hedge and on an ongoing basis, the hedging relationship is expected to be highly effective in achieving offsetting changes in fair value or offsetting cash flows attributable to the hedged risk during the period that the hedge is designated or the term of the hedge. An assessment of effectiveness is required whenever financial statements or earnings are reported, and at least every three months. All assessments of effectiveness shall be consistent with the risk management strategy documented for that particular hedging relationship.

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

In a cash flow hedge, the individual cash flows related to a recognized asset or liability and the cash flows related to a forecasted transaction are both referred to as a forecasted transaction. Thus, a forecasted transaction is eligible for designation as a hedged transaction if the forecasted transaction is specifically identified as a single transaction or a group of individual transactions, the occurrence of the forecasted transaction is probable, and certain other criteria specified in Statement No. 133 are met. If the hedged transaction is a group of individual transactions, those individual transactions must share the same risk exposure for which they are designated as being hedged.

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

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

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

Reporting Derivative Contracts

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

Netting of derivative assets and liabilities is prohibited on Schedule RAL except as permitted under ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts"). *See* the Glossary entry for "offsetting."

Derivatives with Counterparties other than Related Depository Institutions

Trading derivatives with positive values should be reported as trading assets in Schedule RAL, item 1(f). Trading derivatives with negative fair values should be

reported as trading liabilities in Schedule RAL, item 4(e).

Derivatives held for purposes other than trading that have positive fair values should be included in Schedule RAL, item 1(h), "Other" assets. Derivatives held for purposes other than trading that have negative fair values should be included in Schedule RAL, item 4(f), "Other" liabilities.

Changes in the fair value (that is, gains and losses) of trading derivatives and net gains (losses) on derivatives held for purposes other than trading that are not designated as hedging instruments should be recognized as part of the unremitted profit/loss reported on Schedule M, Due from/Due to Related Institutions in the U.S. and in Foreign Countries, Part I, item 2(a), "Gross due to/due from head office of parent bank."

Branches and agencies must report the notional amounts of their derivative contracts by risk exposure in Schedule L, first by type of contract in Schedule L, item 9, and then by purpose of contract (i.e., trading, other than trading) in Schedule L, items 10 and 11. Branches and agencies must report the gross fair values of their derivatives, both positive and negative, by risk exposure and purpose of contract in Schedule L, item 12.

Derivatives with Related Depository Institutions

The fair value of all derivatives with related depository institutions, whether held for trading of for other purposes, should be included on Schedule RAL in item 2, "Net due from related depository institutions," or item 5, "Net due to related depository institutions," as appropriate. Changes in the fair value (that is, gains and losses) of these derivative contracts should also be included in these net due from/due to accounts.

Branches and agencies must report the notional amounts of their derivative contracts with related depository institutions by risk exposure in Schedule M, Part V, first by type of contract in Schedule M, Part V, item 9, and then by purpose of contract (i.e., trading, other than trading), in Schedule M, Part V, items 10 and 11. Branches and agencies must report the gross fair values of their derivatives, both positive and negative, by risk exposure and purpose of contract in Schedule M, Part V, item 12.

Discounts

See "premiums and discounts."

Domicile

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

For purposes of defining customers of the reporting branch or agency, U.S. addressees include residents of the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. Non-U.S. addressees includes residents of any foreign country. The term non-U.S. addressee generally includes foreign-based subsidiaries of other U.S. banks.

For customer identification purposes, the IBFs of other U.S. depository institutions are U.S. addressees.

Due Bills

A due bill is an obligation that results when a branch or agency sells an asset *and* receives payment, but does not deliver the security or other asset. A due bill can also result from a promise to deliver an asset in exchange for value received. In both cases, the receipt of the payment creates an obligation regardless of whether the due bill is issued in written form.

Outstanding due bill obligations shall be reported as borrowings in Schedule RAL, item 4(c), "Other borrowed money," by the issuing branch or agency. Conversely, when the reporting branch or agency is the holder of a due bill, the outstanding due bill obligation of the seller shall be reported as a loan to that party.

Edge and Agreement Corporation

An *Edge corporation* is a federally-chartered corporation organized under Section 25(a) of the Federal Reserve Act and subject to Federal Reserve Regulation K. Edge corporations are allowed to engage only in international banking or other financial transactions related to international business.

An *Agreement corporation* is a state-chartered corporation that has agreed to operate as if it were organized under Section 25 of the Federal Reserve Act and has agreed to be subject to Federal Reserve Regulation K. Agreement corporations are restricted, in general, to international banking operations. Banks must apply to the Federal Reserve for permission to acquire stock in an Agreement corporation.

Excess Balance Account

An excess balance account (EBA) is a limited-purpose account at a Federal Reserve Bank established for maintaining the excess balances of one or more depository institutions (participants) that are eligible to earn interest on balances held at the Federal Reserve Banks. An EBA is managed by another depository institution that has its own account at a Federal Reserve Bank (such as a participant's pass-through correspondent) and acts as an agent on behalf of the participants. Balances in an EBA represent a liability of a Federal Reserve Bank directly to the EBA participants and not to the agent. The Federal Reserve Banks pay interest on the average balance in the EBA over a 7-day maintenance period and the agent disburses that interest to each participant in accordance with the instructions of the participant. Only a participant's excess balances may be placed in an EBA; the account balance cannot be used to satisfy the participant's reserve balance requirements or contractual clearing agreements.

The reporting of an EBA by participants and agents differs from the required reporting of a pass-through reserve relationship, which is described in the Glossary entry for "pass-through reserve balances."

A participant's balance in an EBA is to be treated as a claim on a Federal Reserve Bank (not as a claim on the agent) and, as such, should be reported on the balance sheet in Schedule RAL, item 1(a), "Cash and balances due from depository institutions." A participant should not include its balance in an EBA in Schedule RAL, item 1(d)(1), "Federal Funds sold."

The balances in an EBA should not be reflected as an asset or a liability on the balance sheet of the depository institution that acts as the agent for the EBA. Thus, the agent should not include the balances in the EBA in Schedule RAL, item 1(a), "Cash and balances due from depository institutions"; Schedule RAL, item 4(a), "Total deposits and credit balances"; or Schedule A, item 5, "Balances due from Federal Reserve Banks."

Extinguishments of Liabilities

The accounting and reporting standards for extinguishments of liabilities are set forth in ASC Subtopic 405-20, Liabilities—Extinguishments of Liabilities (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"). Under ASC Subtopic 405-20, a branch or agency should remove a previously recognized liability from its balance sheet if and only if the liability has been extinguished. A liability has been extinguished if either of the following conditions is met:

(1) The branch or agency pays the creditor and is relieved of its obligation for the liability. Paying the creditor includes delivering cash, other financial assets, goods, or services or the branch's or agency's reacquiring its outstanding debt.

(2) The branch or agency is legally released from being the primary obligor under the liability, either judicially or by the creditor.

Fails

When a branch or agency has sold an asset and, on settlement date, does not deliver the security or other asset *and* does not receive payment, a sales fail exists. When a branch or agency has purchased a security or other asset and, on settlement date, does not receive the asset *and* does not pay for it, a purchase fail exists. Fails do not affect the way securities are reported in this report.

Fair Value

The accounting standard for fair value measurements that should be applied in accounting pronouncements that require or permit fair value measurements is ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, "Fair Value Measurements"). For further information, refer to ASC Topic 820.

ASC Topic 820 defines fair value and establishes a framework for measuring fair value. The definition of fair value for an asset or liability is the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants (not a forced liquidation or distressed sale) in the asset's or liability's principal (or most advantageous) market at the measurement date. The transaction is assumed to occur based on an exit price notion versus an entry price.

ASC Topic 820 establishes a three level fair value hierarchy that prioritizes inputs used to measure fair value. The highest priority is given to Level 1 and the lowest priority to Level 3.

Level 1 fair value measurement inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a bank has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 fair value measurement inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Depending on the specific factors related to an asset or a liability, certain adjustments to Level 2 inputs may be necessary to determine the fair value of the asset or liability. If those adjustments are significant to the asset or liability's fair value in its entirety, the adjustments may render the fair value hierarchy classification to a Level 3 fair value measurement rather than a Level 2 fair value measurement.

Level 3 fair value measurement inputs are unobservable inputs for the asset or liability. Although these inputs may not be readily observable in the market, the fair value measurement objective is, nonetheless, to obtain an exit price for the asset or liability from the perspective of a market participant. Therefore, Level 3 fair value measurement inputs should reflect the institution's own assumptions about the assumptions that a market participant would use in pricing an asset or liability and should be based on the best information available in the circumstances.

Federal Funds Transactions

For purposes of this report, federal funds transactions involve the reporting branch or agency's lending (federal funds sold) or borrowing (federal funds purchased) immediately available funds under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract. However, funds lent or borrowed in the form of securities resale or repurchase agreements, due bills, borrowings from the Discount and Credit Department of a Federal Reserve Bank, deposits with and advances from a Federal Home Loan Bank, and overnight loans for commercial and industrial purposes are excluded from federal funds. Transactions that are to be reported as federal funds transactions may be secured or unsecured or may involve an agreement to resell loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing institution can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed.

The borrowing and lending of immediately available funds has an original maturity of one business day if the funds borrowed on one business day are to be repaid or the transaction reversed on the next business day, that is, if immediately available funds borrowed today are to be repaid tomorrow (in tomorrow's immediately available funds). Such transactions include those made on a Friday to mature or be reversed the following Monday and those made on the last business day prior to a holiday (for either or both of the parties to the transaction) to mature or be reversed on the first business day following the holiday.

A continuing contract is a contract or agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of either party to terminate. Such contracts may also be known as rollovers or as open-ended agreements.

Federal funds may take the form of the following two types of transactions provided that the transactions meet the above criteria (i.e., immediately available funds with an original maturity of one business day or under a continuing contract):

(1) Unsecured loans (federal funds sold) or borrowings (federal funds purchased). (In some market usage, the term ‘ ed funds” or “pure fed funds” is confined to unsecured loans of immediately available balances.)

(2) Purchases (sales) of financial assets (other than securities) under agreements to resell (repurchase) that have original maturities of one business day (or are under continuing contracts) and are in immediately available funds.

Any borrowing or lending of immediately available funds that has an original maturity of more than one business day, other than securities repurchase or resale agreements, is to be treated as a borrowing or as a loan, not as federal funds. Such transactions are sometimes referred to as “term federal funds.”

Federally-Sponsored Lending Agency

A federally-sponsored lending agency is an agency or corporation that has been chartered, authorized, or organized as a result of federal legislation for the purpose of providing credit services to a designated sector of the economy. These agencies include Banks for Cooperatives, Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal Land Banks, the Federal National Mortgage Association, and the Student Loan Marketing Association.

Foreign Banks

See “banks, U.S. and foreign.”

Foreign Currency Transactions

Foreign currency transactions are transactions occurring in the ordinary course of business (e.g., purchases, sales, borrowings, lendings, forward exchange contracts) denominated in currencies other than the branch or agency’s functional currency (as described below).

A *functional currency* is the currency of the primary economic environment in which an office operates. For the U.S. branches or agencies of foreign banks, the functional currency will be the U.S. dollar.

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 this report, 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.

Forward Contracts

See “derivative contracts.”

Futures Contracts

See “derivative contracts.”

Hypothecated Deposit

A hypothecated deposit is the aggregation of periodic payments on an installment contract received by a

reporting institution in a state in which, under law, such payments are not immediately used to reduce the unpaid balance of the installment note, but are accumulated until the sum of the payments equals the entire amount of principal and interest on the contract, at which time the loan is considered paid in full. For purposes of this report, hypothecated deposits are to be netted against the related loans.

Deposits which simply serve as collateral for loans are not considered hypothecated deposits for purposes of this report.

Internal-Use Computer Software

Guidance on the accounting and reporting for the costs of internal-use computer software is set forth in ASC Subtopic 350-40, Intangibles-Goodwill and Other—Internal-Use Software (formerly AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"). A summary of this accounting guidance follows. For further information, see ASC Subtopic 350-40.

Internal-use computer software is software that meets both of the following characteristics:

(1) The software is acquired, internally developed, or modified solely to meet the institution's internal needs; and

(2) During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

ASC Subtopic 350-40 identifies three stages of development for internal-use software: the preliminary project stage, the application development stage, and the post-implementation/operation stage. The processes that occur during the preliminary project stage of software development are the conceptual formulation of alternatives, the evaluation of the alternatives, the determination of the existence of needed technology, and the final selection of alternatives. The application development stage involves the design of the chosen path (including software configuration and software interfaces), coding, installation of software to hardware, and testing (including the parallel processing phase). Generally, training and application maintenance occur during the post-implementation/ operation stage. Upgrades of and enhancements to existing internal-use software, i.e., modifications to software that result in additional functionality, also go through the three aforementioned stages of development.

Computer software costs that are incurred in the preliminary project stage should be expensed as incurred (i.e., should not be capitalized).

Internal and external costs incurred to develop internal-use software during the application development stage should be capitalized. Capitalization of these costs should begin once (a) the preliminary project stage is completed *and* (b) management, with the relevant authority, implicitly or explicitly authorizes and commits to funding a computer software project and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization should cease no later than when a computer software project is substantially complete and ready for its intended use, i.e., after all substantial testing is completed. Capitalized internal-use computer software costs generally should be amortized on a straight-line basis over the estimated useful life of the software.

Only the following application development stage costs should be capitalized:

(1) External direct costs of materials and services consumed in developing or obtaining internal-use software;

(2) Payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project (to the extent of the time spent directly on the project); and

(3) Interest costs incurred when developing internal-use software.

Costs to develop or obtain software that allows for access or conversion of old data by new systems also should be capitalized. Otherwise, data conversion costs should be expensed as incurred (i.e., should not be capitalized). General and administrative costs and overhead costs should not be capitalized as internal-use software costs.

During the post-implementation/operation stage, internal and external training costs and maintenance

costs should be expensed as incurred (i.e., should not be capitalized).

Impairment of capitalized internal-use computer software costs should be recognized and measured in accordance with ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets").

The costs of internally developed computer software to be sold, leased, or otherwise marketed as a separate product or process should be reported in accordance with ASC Subtopic 985-20, Software—Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed"). If, after the development of internal-use software is completed, an institution decides to market the software, proceeds received from the license of the software, net of direct incremental marketing costs, should be applied against the carrying amount of the software.

International Banking Facility (IBF)

General definition

An International Banking Facility (IBF) is a set of asset and liability accounts, segregated on the books and records of the establishing entity, which reflect international transactions. An IBF is established in accordance with the terms of Federal Reserve Regulation D and after appropriate notification to the Federal Reserve. The establishing entity may be a U.S. depository institution, a U.S. office of an Edge or Agreement corporation, or a U.S. branch or agency of a foreign bank pursuant to Federal Reserve Regulations D and Q. An IBF is permitted to hold only certain assets and liabilities. In general, IBF accounts are limited, as specified in the paragraphs below, to non-U.S. residents of foreign countries, residents of Puerto Rico and U.S. territories and possessions, other IBFs, and U.S. and non-U.S. offices of the establishing entity.

Permissible IBF assets include extensions of credit to the following:

(1) non-U.S. residents (including foreign branches of other U.S. banks);

(2) other IBFs; and

(3) U.S. and non-U.S. offices of the establishing entity.

Credit may be extended to non-U.S. *nonbank* residents only if the funds are used in their operations outside the United States. IBFs may extend credit in the form of a loan, deposit, placement, advance, security, or other similar asset.

Permissible IBF liabilities include (as specified in Federal Reserve Regulations D and Q) liabilities to non-U.S. nonbank residents only if such liabilities have a minimum maturity or notice period of at least two business days. IBF liabilities also may include overnight liabilities to:

(1) non-U.S. offices of other depository institutions and of Edge or Agreement corporations;

(2) non-U.S. offices of foreign banks;

(3) foreign governments and official institutions;

(4) other IBFs; and

(5) the establishing entity.

IBF liabilities may be issued in the form of deposits, borrowings, placements, and other similar instruments. However, IBFs are prohibited from issuing negotiable certificates of deposit, bankers acceptances, or other negotiable or bearer instruments.

Treatment of transactions with IBFs of other depository institutions

Transactions between the reporting branch or agency and IBFs outside the scope of the reporting branch or agency's report are to be reported as transactions with depository institutions in the U.S., as appropriate. (Note, however, that only the reporting branch or agency's IBF is permitted to have transactions with other IBFs.)

Lease Accounting

A lease is an agreement that transfers the right to use land, buildings, or equipment for a specified period of time. This financing device is essentially an extension of credit evidenced by an obligation between a lessee and a lessor.

Standards for lease accounting are set forth in ASC Topic 840, Leases (formerly FASB Statement No. 13, "Accounting for Leases," as amended and interpreted).

Accounting with branch or agency as lessee—Any lease entered into by a lessee branch or agency that meets certain criteria (defined in the following paragraph) shall be accounted for as a property acquisition financed with a debt obligation. The property shall be amortized according to the reporter's normal depreciation policy. In this report, the property is to be reported in Schedule RAL, item 1(h), and the liability for capitalized leases in Schedule RAL, item 4(c).

If any one of the following criteria is met, a lease must be accounted for as a *capitallease:*

(1) ownership of the property is transferred to the lessee at the end of the lease term, or

(2) the lease contains a bargain purchase option, or

(3) the lease term represents at least 75 percent of the estimated economic life of the leased property, or

(4) the present value of the minimum lease payments at the beginning of the lease term is 90 percent or more of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by and expected to be realized by the lessor.

If none of the above criteria is met, the lease should be accounted for as an *operating lease.* Rental payments should be charged to expense over the term of the operating lease as they become payable.

NOTE: If a lease involves land only, the lease must be capitalized if either of the first two criteria above is met. Where a lease that involves land *and* building meets either of these two criteria, the land and building must be separately capitalized by the lessee. The accounting for a lease involving land and building that meets neither of the first two criteria should conform to the standards prescribed by ASC Topic 840.

Accounting for sales with leasebacks

Sale-leaseback transactions involve the sale of property by the owner and a lease of the property back to the seller. If a branch or agency sells premises or fixed assets and leases back the property, the lease shall be treated as a capital lease if it meets any one of the four criteria above for capitalization. Otherwise, the lease shall be accounted for as an operating lease.

As a general rule, the branch or agency shall defer any gain resulting from the sale. The unamortized deferred gain is to be reported in Schedule RAL, item 4(f), "Other liabilities to nonrelated parties." For further information, see ASC Subtopic 840-40, Leases—Sale-Leaseback Transactions (formerly FASB Statement No. 28, "Accounting for Sales with Leasebacks").

Accounting with branch or agency as lessor

Unless a long-term creditor is also involved in the transaction, a lease entered into by a lessor branch or agency that meets one of the four criteria above for a capital lease plus two additional criteria (as defined below) shall be treated as a *direct financing lease.* The unearned income (minimum lease payments plus estimated residual value plus initial direct costs less the cost of the leased property) shall be amortized to income over the lease term in a manner which produces a constant rate of return on the net investment.

The following two additional criteria must be met for a lease to be classified as a direct financing lease:

(1) Collectability of the minimum lease payments is reasonably predictable.

(2) No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease.

When a lessor branch or agency enters into a lease that has all the characteristics of a direct financing lease but where a long-term creditor provides nonrecourse financing to the lessor, the transaction shall be accounted for as a *leveraged lease.* The lessor's net investment in a leveraged lease shall be recorded in a manner similar to that for a direct financing lease but net of the principal and interest on the nonrecourse debt.

If a lease is neither a direct financing lease nor a leveraged lease, the lessor branch or agency shall account for it as an *operating lease.* The leased property shall be reported in Schedule RAL, item 1(h), "Other assets including claims on nonrelated parties," and depreciated in accordance with the branch or agency's normal policy.

Letter of Credit

A letter of credit is a document issued by a bank, including a branch or agency, on behalf of its customer (the account party) authorizing a third party (the beneficiary), or in special cases the account party, to draw drafts on the bank or branch or agency up to a stipulated amount and with specified terms and conditions. The letter of credit is a conditional commitment (except when prepaid by the account party) on the part of the bank or branch or agency to provide payment on drafts drawn in accordance with the terms of the document.

As a matter of sound practice, letters of credit should:

(1) be conspicuously labeled as a letter of credit;

(2) contain a specified expiration date or be for a definite term;

(3) be limited in amount;

(4) call upon the issuing branch or agency to pay only upon the presentation of a draft or other documents as specified in the letter of credit and not require the issuing branch or agency to make determinations of fact or law at issue between the account party and the beneficiary; and

(5) be issued only subject to an agreement between the account party and the issuing branch or agency which establishes the unqualified obligation of the account party to reimburse the issuing branch or agency for all payments made under the letter of credit.

There are four basic types of letters of credit:

A *commercial letter of credit* is issued specifically to facilitate trade or commerce. Under the terms of a commercial letter of credit, as a general rule, drafts will be drawn when the underlying transaction is consummated as intended.

A *letter of credit sold for cash* is a letter of credit for which the branch or agency has received funds from the account party at the time of issuance. This type of letter of credit is not to be reported as an outstanding letter of credit but as a demand deposit. These letters are considered to have been sold for cash even though the branch or agency may have advanced funds to the account party for the purchase of such letters of credit on a secured or unsecured basis.

A *travelers' letter of credit* is issued to facilitate travel. This letter of credit is addressed by the branch or agency to its correspondents authorizing the correspondents to honor drafts drawn by the person named in the letter of credit in accordance with specified terms. These letters are generally sold for cash.

A *standby letter of credit* is a letter of credit or similar arrangement that:

(1) represents an obligation on the part of the issuing branch or agency to a designated third party (the beneficiary) contingent upon the failure of the issuing branch or agency's customer (the account party) to perform under the terms of the underlying contract with the beneficiary, or

(2) obligates the branch or agency to guarantee or stand as surety for the benefit of a third party to the extent permitted by law or regulation.

The underlying contract may entail either financial or nonfinancial undertakings of the account party with the beneficiary. The underlying contract may involve such things as the customer's payment of commercial paper,delivery of merchandise, completion of a construction contract, release of maritime liens, or repayment of the account party's obligations to the beneficiary. Under the terms of a standby letter, as a general rule, drafts will be drawn only when the underlying event fails to occur as intended.

Loan

For purposes of this report, a loan is generally an extension of credit resulting from direct negotiations between a lender and a borrower. The reporting branch or agency may originate a loan by directly negotiating with a borrower or it may purchase a loan or a portion of a loan originated by another lender that directly negotiated with a borrower. The reporting branch or agency may also sell a loan or a portion of a loan, regardless of the method by which it acquired the loan.

Loans may take the form of promissory notes, acknowledgments of advance, due bills, invoices, overdrafts, acceptances, and similar written or oral obligations.

Among the extensions of credit reportable as loans in Schedule C, which covers both loans held for sale and loans that the reporting branch or agency has the intent and ability to hold for the foreseeable future or until maturity or payoff, are:

(1) acceptances of other banks purchased in the open market, not held for trading;

(2) acceptances executed by or for the account of the reporting *branch or agency* and subsequently acquired by it through purchase or discount;

(3) customers' liability to the reporting branch or agency on drafts paid under letters of credit for which the branch or agency has not been reimbursed;

(4) "advances" and commodity or bill-of-lading drafts payable upon arrival of goods against which drawn, for which the reporting branch or agency has given deposit credit to customers;

(5) paper pledged by the branch or agency whether for collateral to secure bills payable (e.g., margin collateral to secure bills rediscounted) or for any other purpose;

(6) sales of so-called "term federal funds" (i.e., sales of immediately available funds with a maturity of more than one business day), other than those involving security resale agreements;

(7) factored accounts receivable;

(8) loans arising out of the purchase of assets (other than securities) under resale agreements with a maturity of more than one business day if the agreement requires the branch or agency to resell the identical asset purchased; and

(9) participations (acquired or held) in a single loan or in a pool of loans or receivables (see discussion in the Glossary entry for "transfers of financial assets").

See also "loans secured by real estate," "overdraft," and "transfers of financial assets."

Loan Fees

The accounting standards for nonrefundable fees and costs associated with lending, committing to lend, and purchasing a loan or group of loans are set forth in ASC Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs (formerly FASB Statement No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases"), a summary of which follows. The statement applies to all types of loans as well as to debt securities (but not to loans or debt securities carried at market value if the changes in market value are included in earnings) and to all types of lenders. For further information, see ASC Subtopic 310-20. A branch or agency may acquire a loan by originating the loan (lending) or by acquiring a loan from a party other than the borrower (purchasing). Lending, committing to lend, refinancing or restructuring loans, arranging standby letters of credit, syndicating loans, and leasing activities are all considered "lending activities." Nonrefundable loan fees paid by the borrower to the lender may have many different names, such as origination fees, points, placement fees, commitment fees, application fees, management fees, restructuring fees, and syndication fees, but in this Glossary entry, they are referred to as loan origination fees, commitment fees, or syndication fees. ASC Subtopic 310-20 applies to both a lender and a purchaser, and should be applied to individual loan contracts. Aggregation of similar loans for purposes of recognizing net fees or costs and purchase premiums or discounts is permitted under certain circumstances specified in ASC Subtopic 310-20 or if the result does not differ materially from the amount that would have been recognized on an individual loan-by-loan basis.

In general, the statement specifies that:

(1) Loan origination fees should be deferred and recognized over the life of the related loan as an adjustment of yield (interest income). Once a branch or agency adopts ASC Subtopic 310-20, recognizing a portion of loan fees as revenue to offset all or part of origination costs in the reporting period in which a loan is originated is no longer acceptable.

(2) Certain direct loan origination costs specified in the Statement should be deferred and recognized over the life of the related loan as a reduction of the loan's yield. Loan origination fees and related direct loan origination costs for a given loan should be offset and only the net amount deferred and amortized.

(3) Direct loan origination costs should be offset against related commitment fees and the net amounts deferred except for: (a) commitment fees (net of costs) where the likelihood of exercise of the commitment is remote, which generally should be recognized as service fee income on a straight line basis over the loan commitment period, and (b) retrospectively determined fees, which are recognized as service fee income on the date as of which the amount of the fee is determined. All other commitment fees (net of costs) shall be deferred over the entire commitment period and recognized as an adjustment of yield over the related loan's life or, if the commitment expires unexercised, recognized in income upon expiration of the commitment.

(4) Loan syndication fees should be recognized by the branch or agency managing a loan syndication (the syndicator) when the syndication is complete unless a portion of the syndication loan is retained. If the yield on the portion of the loan retained by the syndicator is less than the average yield to the other syndication participants after considering the fees passed through by the syndicator, the syndicator should defer a portion of the syndication fee to produce a yield on the portion of the loan retained that is not less than the average yield on the loans held by the other syndication participants.

(5) Loan fees, certain direct loan origination costs, and purchase premiums and discounts on loans shall be recognized as an adjustment of yield generally by the interest method based on the contractual term of the loan. However, if the branch or agency holds a large number of similar loans for which prepayments are probable and the timing and amount of prepayments can be reasonably estimated, the branch or agency may consider estimates of future principal prepayments in the calculation of the constant effectiveyield necessary to apply the interest method. Once a branch or agency adopts ASC Subtopic 310-20, the practice of recognizing fees over the estimated average life of a group of loans is no longer acceptable.

(6) A refinanced or restructured loan, other than a troubled debt restructuring, should be accounted for as a new loan if the terms of the new loan are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks who are not refinancing or restructuring a loan. Any unamortized net fees or costs and any prepayment penalties from the original loan should be recognized in interest income when the new loan is granted. If the refinancing or restructuring does not meet these conditions or if only minor modifications are made to the original loan contract, the unamortized net fees or costs from the original loan and any prepayment penalties should be carried forward as a part of the net investment in the new loan. The investment in the new loan should consist of the remaining net investment in the original loan, any additional amounts loaned, any fees received, and direct loan origination costs associated with the transaction. In a troubled debt restructuring involving a modification of terms, fees received should be applied as a reduction of the recorded investment in the loan, and all related costs, including direct loan origination costs, should be charged to expense as incurred.

(7) Deferred net fees or costs shall not be amortized during periods in which interest income on a loan is not being recognized because of concerns about realization of loan principal or interest.

Direct loan origination costs of a completed loan are defined to include only (a) incremental direct costs of loan origination incurred in transactions with independent third parties for that particular loan and (b) certain costs directly related to specified activities performed by the lender for that particular loan. Incremental direct costs are costs to originate a loan that (a) result directly from and are essential to the lending transaction andwould not have been incurred by the lender had that lending transaction not occurred. The specified activities performed by the lender are evaluating the prospective borrower's financial condition; evaluating and recording guarantees, collateral, and other security arrangements; negotiating loan terms; preparing and processing loan documents; and closing the transaction. The costs directly related to those activities include only that portion of the employees' total compensation and payroll-

related fringe benefits directly related to time spent performing those activities for that particular loan and other costs related to those activities that would not have been incurred but for that particular loan.

All other lending-related costs, whether or not incremental, should be charged to expense as incurred, including costs related to activities performed by the lender for advertising, identifying potential borrowers, soliciting potential borrowers, servicing existing loans, and other ancillary activities related to establishing and monitoring credit policies, supervision, and administration. Employees' compensation and fringe benefits related to these activities, unsuccessful loan origination efforts, and idle time should be charged to expense as incurred. Administrative costs, rent, depreciation, and all other occupancy and equipment costs are considered indirect costs and should be charged to expense as incurred.

Net unamortized loan fees represent an adjustment of the loan yield, and shall be reported in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or deducted from total loans in "Any unearned income on loans reflected in items 1–8 above" in Schedule C, part I. Net unamortized direct loan origination costs shall be added to the related loan balances in Schedule C. Amounts of loan origination, commitment and other fees and costs recognized as an adjustment of yield should be included in interest income which is recognized as part of unremitted profit and loss. Other fees, such as (a) commitment fees that are recognized during the commitment period or included in income when the commitment expires (i.e., fees retrospectively determined and fees for commitments where exercise is remote) and (b) syndication fees that are not deferred, should be included in noninterest income which is recognized as part of unremitted profit and loss.

Loans Secured by Real Estate

For purposes of this report, loans secured by real estate are loans predicated upon a security interest in real property. A loan predicated upon a security interest in real property is a loan secured wholly or substantially by a lien on real property for which the lien is central to the extension of the credit—that is, the borrower would not have been extended credit in the same amount or on terms as favorable without the lien on real property. All loans satisfying the criteria above are to be reported as loans secured by real estate (Schedule C, part I, item 1), regardless of whether secured by first or junior liens, regardless of the department within the branch or agency that made the loans, regardless of how the loans are categorized in the branch or agency's records, and regardless of the purpose of the financing. Only in transactions where a lien on real property has been taken as collateral solely through an abundance of caution and where the terms as a consequence have not been made more favorable than they would have been in the absence of the lien, would the loans *not* be considered to be secured by real estate and *not* be classifiable as loans secured by real estate in this report.

Money Market Deposit Account (MMDA)

See "deposits."

NOW Account

See "deposits."

Nonaccrual Status

Branches or agencies shall *not* accrue interest or discount on (1) any asset which is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) any asset for which payment in full of interest or principal is not expected, or (3) any asset upon which principal or interest has been in default for a period of 90 days or more unless it is *both* well secured *and* in the process of collection. A nonaccrual asset may be restored to an accrual status when none of its principal and interest is due and unpaid or when it otherwise becomes well secured and in the process of collection.

For purposes of applying the third test for the nonaccrual of interest 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 above.

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. A debt is "in the process of collection" if collection of the debt is proceeding in due course either through legal action, including judgment enforcement procedures, or, 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.

Consumer loans and loans secured by 1-to-4 family residential properties on which principal and interest is due and unpaid for 90 days or more are not required to be placed in nonaccrual status. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the branch or agency's income is not materially overstated.

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

The reversal of previously accrued but uncollected interest applicable to any asset placed in nonaccrual status and the treatment of subsequent payments as either principal or interest 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, 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 income earned, not collected, (2) to reverse the uncollected interest that has been accrued during the calendar year-to-date by debiting the appropriate interest and fee income 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."

Offsetting

Offsetting is the reporting of assets and liabilities on a net basis in Schedule RAL. Branches and agencies are permitted to offset assets and liabilities recognized in the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks when a "right of setoff" exists. Under ASC Subtopic 210-20, Balance Sheet—Offsettting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts"), a right of setoff exists when *all* of the following conditions are met:

(1) Each of two parties owes the other determinable amounts. Thus, only bilateral netting is permitted.

(2) The reporting party has the right to set off the amount owed with the amount owed by the other party.

(3) The reporting party intends to set off. This condition does not have to be met for fair value amounts recognized for conditional or exchange contracts that have been executed with the same counterparty under a master netting arrangement.

(4) The right of setoff is enforceable at law. Legal constraints should be considered to determine whether the right of setoff is enforceable. Accordingly, the right of setoff should be upheld in bankruptcy (or receivership). Offsetting is appropriate only if the available evidence, both positive and negative, indicates that there is reasonable assurance that the right of setoff would be upheld in bankruptcy (or receivership). According to ASC Subtopic 210-20, for forward, interest rate swap, currency swap, option, and other conditional and exchange contracts, a master netting arrangement exists if the reporting branch or agency has multiple contracts, whether for the same type of conditional or exchange contract or for different types of contracts, with a single counter-party that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default or termination of any one contract. Offsetting the assets and liabilities recognized for conditional or exchange contracts outstanding with a single counterparty results in the net position between the two counterparties being reported as an asset or a liability in the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks. The

reporting entity's choice to offset or not to offset assets and liabilities recognized for conditional or exchange contracts must be applied consistently. Offsetting of assets and liabilities is also permitted by other accounting pronouncements identified in ASC Subtopic 210-20. These pronouncements apply to such items as leveraged leases, pension plan and other postretirement benefit plan assets and liabilities, and deferred tax assets and liabilities. In addition, ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"), describes the circumstances in which amounts recognized as payables under repurchase agreements may be offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in the balance sheet. The reporting entity's choice to offset or not to offset payables and receivables under Interpretation No. 41 must be applied consistently.

See also "reciprocal balances."

One-Day Transaction

See "federal funds transactions."

Option

See "derivative contracts."

Other Depository Institutions in the U.S.

See "depository institutions in the U.S."

Overdraft

An overdraft can be either planned or unplanned. An unplanned overdraft occurs when a depository institution honors a check or draft drawn against a deposit account when insufficient funds are on deposit and there is no advance contractual agreement to honor the check or draft. When a contractual agreement has been made in advance to allow such credit extensions, overdrafts are referred to as planned or prearranged. Any overdraft, whether planned or unplanned, is an extension of credit and is to be treated and reported as a "loan" rather than being treated as a negative deposit balance.

Planned overdrafts are to be classified in Schedule C bytype of loan according to the nature of the overdrawn depositor. For example, a planned overdraft by a commercial customer is to be classified as a "commercial and industrial loan."

Unplanned overdrafts in depositors' accounts are to be classified in Schedule C, part I as "All other loans," *unless* the depositor is a depository institution, in which case it would be reported in Schedule C, part I as "Loans to depository institutions and acceptances of other banks." In addition, an unplanned overdraft in the deposit account of a foreign government or official institution would *not* be reported in "All other loans," but would be reported in "Loans to foreign governments and official institutions."

The reporting branch or agency's overdrafts on deposit accounts it holds with other banks (i.e., its "due from" accounts) are to be reported as borrowings in Schedule RAL, item 4(c).

For purposes of treatment of overdrafts, separate transaction accounts of a single depositor that are established under a bona fide cash management arrangement are regarded as a single account rather than multiple or separate accounts. In such a situation, an overdraft in one of the accounts of a single customer is netted against the related transaction accounts of the customer and an extension of credit is regarded as arising *only* if, and to the extent, the combined accounts of the customer are overdrawn.

Participations

See "transfers of financial assets."

Participations in Acceptances

See "bankers acceptances."

Pass-through Reserve Balances

Under the Monetary Control Act of 1980, and as reflected in Federal Reserve Regulation D, depository institutions that are members of the Federal Reserve System must maintain their required reserves (in excess of vault cash) directly with a Federal Reserve Bank.

However, *nonmember* depository institutions may maintain their required reserves (in excess of vault cash) in one of two ways: either (1) directly with a Federal Reserve Bank or (2) indirectly in an account with another institution (referred to here as a "correspondent"), which, in turn, is required to pass the reserves through to a Federal Reserve Bank. This second type of account is called a "pass-through account," and a depository institution passing its reserves to the Federal Reserve through a correspondent is referred to here as a "respondent."

This pass-through reserve relationship is legally and for supervisory purposes considered to constitute an asset/debt relationship between the respondent and the correspondent, and an asset/debt relationship between the correspondent and the Federal Reserve. The required reporting of the "pass-through reserve balances" reflects this structure of asset/debt relationship.

In the balance sheet of the respondent branch or agency, the pass-through reserve balances are to be treated as a claim on the correspondent (not as a claim on the Federal Reserve) and, as such, are to be reflected in the balance sheet of this report, Schedule RAL, item 1(a), ("Cash and balances due from depository institutions"). (The footings for the respondent are not affected by this required classification of the claim.) For the respondent branch or agency, the pass-through reserve balances would also be reflected in Schedule A, item 3, "Balances due from depository institutions in the U.S."

In the balance sheet of the correspondent branch or agency, the pass-through reserve balances are to be treated as *balances due to respondents* and, to the extent that the balances have actually been passed through to the Federal Reserve, as *balances due from the Federal Reserve.* The balances due to respondents are to be reflected in Schedule RAL, item 4(a), "Total deposits and credit balances," and in Schedule E, Deposit Liabilities and Credit Balances, item 7. The balances due from the Federal Reserve are to be reflected in Schedule RAL, item 1(a), and in Schedule A, item 5. (Under this required treatment, the footings for the correspondent are higher, by the amount of reserves actually passed through to the Federal Reserve, than they would be under treatment as an agent relationship.)

For branches or agencies that are correspondents for related institutions, the pass-through reserve balances are to be treated as due to U.S. domiciled offices of related depository institutions and, to the extent that the balances have actually been passed through to the Federal Reserve, as *balances due from the Federal Reserve*. The balances due to respondents are to be reflected in Schedule M, Due from/Due to Related Institutions in the U.S. and Foreign Countries, item 1, "U.S. domiciled offices of related depository institutions (including their IBFs)." The balances due from the Federal Reserve are to be reflected in Schedule RAL, item 1(a), and in Schedule A, item 5.

Since the respondent will not know from its own books the amount that the correspondent has actually passed through to the Federal Reserve for the respondent's account, the respondent must obtain a statement of this amount from its correspondent.

The reporting of pass-through reserve balances by correspondent and respondent banks differs from the required reporting of excess balance accounts by participants and agents, which is described in the Glossary entry for "excess balance accounts."

Placements

The reporting institution may on occasion transfer (place) funds to a bank or other institution. Reporting of such placements in this report depends on the characteristics of the underlying instrument to the transaction. As a result, the transaction might be reported in "Cash and balances due from depository institutions" (if the transaction is a deposit); "Federal funds sold and securities purchased under agreements to resell" (if the transaction meets the federal funds criteria of one day, or continuing contracts, maturity in immediately available funds); or "Loans and leases held for investment and held for sale" (if the transaction is a loan). To determine the reporting treatment of these transactions, the reporting institution must review the contract or wire confirmation to determine the type of transaction.

Pools of Securities, Participation in

See "repurchase/resale agreements."

Preauthorized Transfer Account

See "deposits"

Premiums and Discounts

A *premium* arises when a bank (including a branch or agency) purchases a security, loan, or other asset at a price in excess of its par or face value, typically because the current level of interest rates for such assets is less than its contract or stated rate of interest. The difference between the purchase price and par or face value represents the premium which *all* banks are required to amortize.

A *discount* arises when a bank (including a branch or agency) purchases a security, loan, or other asset at a price below its par or face value, typically because the current level of interest rates for such assets is greater than its contract or stated rate of interest. A discount is also present on instruments which do not have a stated rate of interest such as U.S. Treasury bills and commercial paper. The difference between par or face value and the purchase price represents the discount which *all* banks are required to accrete.

Premiums and discounts are accounted for as adjustments to the yield on an asset over the life of the asset. A premium must be amortized and a discount must be accreted from date of purchase to maturity, *not* to call or put date. The preferable method for amortizing premiums and accreting discounts involves the use of the interest method for accruing income on the asset. The objective of the interest method is to produce a constant yield or rate of return on the carrying value of the asset (par or face value plus unamortized premium or less unaccreted discount) at the beginning of each amortization period over the asset's remaining life. The difference between the periodic interest income that is accrued on the asset and interest at the stated rate is the periodic amortization or accretion. However, a straight-line method of amortization or accretion is acceptable if the results are not materially different from the interest method.

A premium or discount may also arise when the reporting branch or agency, acting either as a lender or a borrower, is involved in an exchange of a note for assets other than cash and the interest rate is either below the market rate or not stated, or the face amount of the note is materially different from the fair value of the noncash assets exchanged. The noncash assets and the related note shall be recorded at either the fair value of the noncash assets or the market value of the note, whichever is more clearly determinable.

Put Option

See "derivative contracts."

Real Estate, Loans Secured By

See "loans secured by real estate."

Reciprocal Balances

Reciprocal balances arise when two depository institutions maintain deposit accounts with each other; that is, when a reporting branch or agency has both a *due to* and a *due from* balance with another depository institution.

For purposes of Schedule RAL, reciprocal balances between the reporting branch or agency and other depository institutions (including U.S. branches and agencies of other foreign banks) may be reported on a net basis when a right of setoff exists. *See* the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist.

Related Institutions

For purposes of this report, "related institutions" of a reporting U.S. branch or agency of a foreign bank include the following depository institutions and their majority-owned subsidiaries, whether they are located in the U.S., in Puerto Rico or U.S. territories and possessions, or elsewhere outside of the U.S.:

(1) Head office of the foreign bank and its other branches and agencies, hereafter referred to as the foreign bank parent.

(2) Holding company of the foreign bank parent, hereafter referred to as the parent bank holding company.

(3) Other depository institutions (including their branches and agencies and IBFs) majority-owned by (1) or (2) above, or by their majority-owned subsidiaries.

(4) Edge and Agreement corporations (including their branches, agencies, IBFs, and majority-owned subsidiaries) majority-owned by (1), (2), or (3) above, or (6) below.

(5) New York State (Article XII) investment companies (including branches of such companies) majority-owned by (1), (2), (3), or (4), above.

(6) Any other majority-owned subsidiaries (depository or nondepository) of (1), (2), (3), and (4).

Please note that related *nondepository* institutions are treated (reported) as third parties on this report.

The following definitions concern "related institutions:"

(1) *Foreign bank parent:* any company (a) that has a branch or agency required to submit this report; (b) that is organized under the laws of a foreign country, a territory or possession of the United States, Puerto Rico, Guam, American Samoa, or the Virgin Islands; and (c) that engages in the business of banking.

(2) *Parent bank holding company:* any company that owns more than 50 percent of the outstanding voting common stock of the foreign bank parent as defined in (1) above.

(3) *Nondepository subsidiary* a majority-owned subsidiary that does not engage in the business of banking.

(4) *New York State (Article XII) investment company:* any company that is subject to Article XII of the New York State banking law.

Repurchase/Resale Agreements

A repurchase agreement is a transaction involving the "sale" of financial assets by one party to another, subject to an agreement by the "seller" to repurchase the assets at a specified date or in specified circumstances. A resale agreement (also known as a reverse repurchase agreement) is a transaction involving the "purchase" of financial assets by one party from another, subject to an agreement by the"purchaser" to resell the assets at a specified date or in specified circumstances.

As stated in the AICPA's Audit and Accounting Guide for Banks and Savings Institutions, dollar repurchase agreements (also called dollar rolls) are agreements to sell and repurchase similar but not identical securities. The dollar roll market consists primarily of agreements that involve mortgage-backed securities (MBS). Dollar rolls differ from regular repurchase agreements in that the securities sold and repurchased, which are usually of the same issuer, are represented by different certificates, are collateralized by different but similar mortgage pools (for example, single-family residential mortgages), and generally have different principal amounts.

General rule

Consistent with 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) repurchase and resale agreements involving financial assets (e.g., securities and loans), including dollar repurchase agreements, are either reported as (a) secured borrowings and loans or (b) sales and forward repurchase commitments based on whether the transferring ("selling") institution maintains control over the transferred assets. (See the Glossary entry for "transfers of financial assets" for further discussion of control criteria).

If a repurchase agreement both entitles and obligates the "selling" institution to repurchase or redeem the transferred assets from the transferee ("purchaser"), the "selling" institution should report the transaction as a secured borrowing if and only if the following conditions have been met:

(1) The assets to be repurchased or redeemed are the same or "substantially the same" as those transferred, as defined by ASC Topic 860.

(2) The "selling" institution has the ability to repurchase or redeem the transferred assets on substantially the agreed terms, even in the event of default by the transferee ("purchaser"). This ability is presumed to exist if the "selling" institution has obtained cash or other collateral sufficient to fund substantially all of the cost of purchasing replacement assets from others.

(3) The agreement is to repurchase or redeem the transferred assets before maturity, at a fixed or determinable price.

(4) The agreement is entered into concurrently with the transfer.

Participations in pools of securities are to be reported in the same manner as security repurchase/resale transactions.

Repurchase agreements reported as secured borrowings—If a repurchase agreement qualifies as a secured borrowing, the "selling" institution should report the transaction as indicated below based on whether the agreement involves a security or some other financial asset.

(1) Securities "sold" under agreements to repurchase are reported in Schedule RAL, item 4(b)2, "Securities sold under agreements to repurchase. "

(2) Financial assets (other than securities) "sold" under agreements to repurchase are reported as follows:

(a) If the repurchase agreement matures in one business day (or is under a continuing contract) and is in immediately available funds, it should be reported in Schedule RAL, item 4(b)1, "Federal funds purchase."

(b) If the repurchase agreement matures in more than one business day or is not in immediately available funds, it should be reported in Schedule RAL, item 4.c."

In addition, the "selling" institution may need to record further entries depending on the terms of the agreement. If the "purchaser" has the right to sell or repledge noncash assets, the "selling" institution should recategorize the transferred financial assets as "assets receivable" and report them in Schedule RAL, item 1(h), "Other assets including claims on nonrelated parties." Otherwise, the financial assets should continue to be reported in the same asset category as before the transfer (e.g., securities should continue to be reported in Schedule RAL, item 1(b), "U.S. Government Securities," item 1(c), "Other bonds, notes, debentures, and corporate stock," or item 1(f), "Trading assets," as appropriate).

Resale agreements reported as secured borrowings

Similarly, if a resale agreement qualifies as a secured borrowing, the "purchasing" institution should report the transaction as indicated below based on whether the agreement involves a security or some other financial asset.

(1) Securities "purchased" under agreements to resell are reported in Schedule RAL, item 1(d)2, " Securities purchased under agreements to resell."

(2) Financial assets (other than securities) "purchased" under agreements to resell are reported as follows:

(a) If the resale agreement matures in one business day (or is under a continuing contract) and is in immediately available funds, it should be reported in Schedule RAL, item 1(d)1, "Federal funds sold."

(b) If the resale agreement matures in more than one business day or is not in immediately available funds, it should be reported in Schedule RAL, item 1(e), "Loans and leases, held for investment and held for sale.

In addition, the purchasing institution may need to record further entries depending on the terms of the agreement. If the "purchasing" institution has the right to sell the noncash assets it has "purchased" and sells these assets, it should recognize the proceeds from the sale and report its obligation to return the assets in Schedule RAL, item 4(f), "Other liabilities to nonrelated parties." If the "selling institution defaults under the terms of the repurchase agreement and is no longer entitled to redeem the noncash assets, the "purchasing" institution should report these assets on Schedule RAL in the appropriate asset category (e.g., securities should be reported in Schedule RAL, item 1(b), "U.S. Government Securities," item 1(c), "Other bonds, notes, debentures, and corporate stock," or item 1(f), "Trading assets," as appropriate) and initially measure them at fair value. However, if the "purchasing" institution has already sold the assets it has "purchased," it should derecognize its obligation to return the assets. Otherwise, the "purchasing" institution should not report the transferred financial assets (i.e., the financial assets "purchased" under the resale agreement) on Schedule RAL.

Repurchase/resale agreements reported as sales—If a repurchase agreement does not qualify as a secured borrowing under ASC Topic 860, the selling institution should account for the transaction as a sale of financial assets and a forward repurchase commitment. The

selling institution should remove the transferred assets from Schedule RAL and record the proceeds from the sale of the transferred assets (including the forward repurchase commitment). Similarly, if a resale agreement does not qualify as a borrowing under ASC Topic 860, the purchasing institution should account for the transaction as a purchase of financial assets and a forward resale commitment. The purchasing institution should record the transferred assets on Schedule RAL, initially measure them at fair value, and record the payment for the purchased assets (including the forward resale commitment).

Reserve Balances, Pass-through

See "pass-through reserve balances."

Securities Activities

Institutions should categorize each security as trading, available-for-sale, or held-to-maturity consistent with ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities", as amended). Management should periodically reassess its security categorization decisions to ensure that they remain appropriate.

Securities that are intended to be held principally for the purpose of selling them in the near term should be classified as trading assets. Trading activity includes active and frequent buying and selling of securities for the purpose of generating profits on short-term fluctuations in price. Securities held for trading purposes must be reported at fair value, with unrealized gains and losses recognized in the institutions unremitted profit (loss) and reported in Schedule RAL, item 2, "Net due from related depository institutions," or item 5, "Net due to related depository institutions."

Held-to-maturity securities are debt securities that an institution has the positive intent and ability to hold to maturity. Held-to-maturity securities are generally reported at amortized cost. Securities not categorized as trading or held-to-maturity must be reported as available-for-sale. An institution must report its available-for-sale securities at fair value on Schedule RAL and report any unrealized gains or losses from these securities as part of its unremitted profit (loss), which is reported in Schedule RAL, item 2, "Net due from related depository institutions," or item 5, "Net due to related depository institutions."

If a decline in fair value of a held-to-maturity or available-for-sale 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. For example, if it is probable that an institution will be unable to collect all amounts due according to the contractual terms of a debt security not impaired at acquisition, an other-than-temporary impairment has occurred.

The proper categorization of securities is important to ensure that trading gains and losses are promptly recognized in the institution's earnings and trading activities can be properly evaluated for safety and soundness purposes. This will not occur when securities intended to be held for trading purposes are categorized as held-to-maturity or available-for-sale. The following practices are considered trading activities:

(1) Gains Trading—Gains trading is characterized by the purchase of a security and the subsequent sale of the same security at a profit after a short holding period, while securities acquired for this purpose that cannot be sold at a profit are typically retained in the available-for-sale or held-to-maturity portfolio. Gains trading may be intended to defer recognition of losses, as unrealized losses on available-for-sale and held-to-maturity debt securities generally are not reported in income until the security is sold.

(2) When-Issued Securities Trading—When-issued securities trading is the buying and selling of securities in the period between the announcement of an offering and the issuance and payment date of the securities. A purchaser of a "when-issued" security acquires the risks and rewards of owning a security and may sell the when-issued security at a profit before having to take delivery and pay for it. Because such transactions are intended to generate profits from short-term price movements, they should be categorized as trading.

(3) Pair-offs—Pair-offs are security purchase transactions that are closed-out or sold at, or prior to, settlement date. In a pair-off, an institution commits to purchase a security. Then, prior to the pre-

determined settlement date, the institution will pair-off the purchase with a sale of the same security. Pair-offs are settled net when one party to the transaction remits the difference between the purchase and sale price to the counterparty. Pair-offs may also involve the same sequence of events using swaps, options on swaps, forward commitments, options on forward commitments, or other off-balance sheet derivative contracts.

(4) Extended Settlements—In the U.S., regular-way settlement for federal government and federal agency securities (except mortgage-backed securities and derivative contracts) is one business day after the trade date. Regular-way settlement for corporate and municipal securities is three business days after the trade date. For mortgage-backed securities, it can be up to 60 days or more after the trade date. The use of extended settlements may be offered by securities dealers in order to facilitate speculation on the part of the purchaser, often in connection with pair-off transactions. Securities acquired through the use of a settlement period in excess of the regular-way settlement periods in order to facilitate speculation should be reported as trading assets.

(5) Repositioning Repurchase Agreements—A repositioning repurchase agreement is a funding technique offered by a dealer in an attempt to enable an institution to avoid recognition of a loss. Specifically, an institution that enters into a "when-issued" trade or a "pair-off" (which may include an extended settlement) that cannot be closed out at a profit on the payment or settlement date will be provided dealer financing in an effort to fund its speculative position until the security can be sold at a gain. The institution purchasing the security typically pays the dealer a small margin that approximates the actual loss in the security. The dealer then agrees to fund the purchase of the security, typically by buying it back from the purchaser under a resale agreement. Any securities acquired through a dealer financing technique such as a repositioning repurchase agreement that is used to fund the speculative purchase of securities should be reported as trading assets.

(6) Short Sales—A short sale is the sale of a security that is not owned. The purpose of a short sale generally is to speculate on a fall in the price of the security. (For further information, *see* the Glossary entry for "short position.")

One other practice, referred to as "adjusted trading," is not acceptable under any circumstances. Adjusted trading involves the sale of a security to a broker or dealer at a price above the prevailing market value and the contemporaneous purchase and booking of a different security, frequently a lower-rated or lower quality issue or one with a longer maturity, at a price above its market value. Thus, the dealer is reimbursed for losses on the purchase from the institution and ensured a profit. Such transactions inappropriately defer the recognition of losses on the security sold and establish an excessive cost basis for the newly acquired security. Consequently, such transactions are prohibited and may be in violation of 18 U.S.C. Sections 1001—False Statements or Entries and 1005— False Entries.

Securities Borrowing/Lending Transactions

Securities borrowing/lending transactions are typically initiated by broker–dealers and other financial institutions that need specific securities to cover a short sale or a customer's failure to deliver securities sold. A transferee ("borrower") of securities generally is required to provide "collateral" to the transferor ("lender") of securities, commonly cash but sometimes other securities or standby letters of credit, with a value slightly higher than that of the securities "borrowed."

Most securities borrowing/lending transactions 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), because the agreement entitles and obligates the securities lender to repurchase or redeem the transferred assets before their maturity. (See the Glossary entry for "transfers of financial assets" for further discussion of sale criteria.) 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, and the "loaned" securities are recategorized on the securities lender's balance sheet as "assets receivable" and reported in Schedule RAL, item 1(h), "Other assets including other claims on nonrelated parties."

If the securities borrowing/lending transaction meets the criteria for a sale under ASC Topic 860, the lender of the securities should remove the securities from Schedule RAL and record the proceeds from the sale of the securities (including the forward repurchase commitment). The borrower of the securities should record the securities on Schedule RAL at fair value and record the payment for the purchased assets (including the forward resale commitment).

Securities, Participations in Pools of

See "repurchase/ resale agreements."

Servicing Assets and Liabilities

The accounting and reporting standards for servicing assets and liabilities are set forth in ASC Subtopic 860-50, Transfers and Servicing—Servicing Assets and Liabilites (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilites," as amended by FASB Statement No. 156, "Accounting for Servicing of Financial Assets, " and FASB Statement No. 166, "Accounting for Transfers of Financial Assets"), and ASC Topic 948, Financial Services-Mortgage Banking (formerly FASB Statement No. 65, "Accounting for Certain Mortgage Banking Activities," as amended by Statement No. 140). A summary of the relevant sections of these accounting standards follows. For further information, see ASC Subtopic 860-50, ASC Topic 948, and the Glossary entry for "transfers of financial assets."

Servicing of mortgage loans, credit card receivables, or other financial assets includes, but is not limited to, collecting principal, interest, and escrow payments from borrowers; paying taxes and insurance from escrowed funds; monitoring delinquencies; executing foreclosure if necessary; temporarily investing funds pending distribution; remitting fees to guarantors, trustees, and others providing services; and accounting for and remitting principal and interest payments to the holders of beneficial interests in the financial assets. Servicers typically receive certain benefits from the servicing contract and incur the costs of servicing the assets.

Servicing is inherent in all financial assets; it becomes a distinct asset or liability only when contractually separated from the underlying financial assets by sale or securitization of the assets with servicing retained or by a separate purchase or assumption of the servicing. When a branch or agency undertakes an obligation to service financial assets, it must recognize a servicing asset or liability for that servicing contract unless it securitizes the assets, retains all of the resulting securities, and classifies the securities as held-to-maturity debt securities. Servicing assets result from contracts to service financial assets for which the benefits of servicing (revenues from *contractually specified servicing fees*, late charges, and other ancillary sources) are expected to more than *adequately compensate* the servicer for performing the servicing. Servicing liabilities result from contracts to service financial assets for which the benefits of servicing are not expected to adequately compensate the servicer for performing the servicing. *Contractually specified servicing fees* are all amounts that, per contract, are due to the servicer in exchange for servicing the financial asset and would no longer be received by a servicer if the beneficial owners of the serviced assets or their trustees or agents were to exercise their actual or potential authority under the contract to shift the servicing to another servicer. *Adequate compensation* is the amount of benefits of servicing that would fairly compensate a substitute servicer should one be required including the profit that would be demanded by a substitute servicer in the marketplace.

When a branch or agency sells or securitizes financial assets and retains the servicing asset, the branch or agency shall allocate the cost of the financial assets to the servicing assets and the financial assets (without the servicing) based on their relative fair values. If it is not practicable to estimate the fair values of the servicing assets and the financial assets (without the servicing), the entire cost shall be allocated to the financial assets (without the servicing) and no cost shall be allocated to the servicing assets. If a branch or agency incurs a servicing liability in a sale or securitization, the servicing liability should initially be measured at fair value. If a branch or agency securitizes assets, retains all of the resulting securities, and classifies the securities as held-

to-maturity debt securities, no separate servicing asset or liability shall be recorded. If a branch or agency purchases servicing assets or assumes servicing liabilities in a transaction other than a sale or securitization of the financial assets being serviced, the asset or liability shall be recorded at fair value. For purchased servicing assets, the fair value is presumptively the price paid to acquire the servicing.

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

Settlement Date Accounting

See "trade date and settlement date accounting."

Shell Branches

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

Short Position

When a branch or agency sells an asset that it does *not* own, it has established a short position. If on the report date a branch or agency is in a short position, it shall report its liability to purchase the asset in Schedule RAL, item 4(e), "Trading liabilities." In this situation, the right to receive payment shall be reported in Schedule RAL, item 1(h), "Other assets (including other claims on nonrelated parties)." Short positions shall be reported gross. Short trading positions shall be revalued consistent with the method used by the reporting branch or agency for the valuation of its trading account assets.

Standby Contract

See "derivative contracts."

Standby Letter of Credit

See "letter of credit."

Suspense Accounts

Suspense accounts are temporary holding accounts in which items are carried until they can be identified and their disposition to the proper account can be made. Such accounts may also be known as interoffice or clearing accounts. The balances of suspense accounts as of the report date should not automatically be reported as other assets or other liabilities in Schedule RAL, item 1(h) or 4(f). Rather, the items included in these accounts should be reviewed and material amounts should be reported in the appropriate accounts of this report.

Syndications

A syndication is a participation, usually involving shares in a single loan, in which several participants agree to enter into an extension of credit under a bona fide binding agreement that provides that, regardless of any event, each participant shall fund and be at risk only up to a specified percentage of the total extension of credit or up to a specified dollar amount. In a syndication, the participants agree to the terms of the participation prior to the execution of the final agreement and the contract is executed by the obligor and by *all*

the participants, although there is usually a lead institution organizing or managing the credit. Large commercial and industrial loans, large loans to finance companies, and large foreign loans may be handled through such syndicated participations.

Each participant in the syndicate, including the lead participant, records its own share of the participated loan and the total amount of the loan is not entered on the books of one institution to be shared through transfers of loans. This type of participation thus does not give rise in its initial operation and distribution to the type of transfer to which the general rule in the Glossary entry for "sales of assets" is addressed. However, any subsequent transfers of shares, or parts of shares, in the syndicated loan would be subject to that general rule for determining whether the transfer is to be treated as a sale of assets or as a borrowing.

Telephone Transfer Account

See "deposits."

Term Federal Funds

See "federal funds transactions."

Time Deposits

See "deposits."

Trade Date and Settlement Date Accounting

For purposes of this report, the preferred method for reporting transactions in investment portfolio securities and trading account assets (including money market instruments) other than futures, forwards, and options (see the Glossary entry for "derivative contracts") is on the basis of trade date accounting. However, if the reported amounts under settlement date accounting would not be materially different from those under trade date accounting, settlement date accounting is acceptable. Whichever method a branch or agency elects should be used consistently, unless the branch or agency has elected settlement date accounting and subsequently decides to change to the preferred trade date method.

Under *trade date accounting*, assets purchased shall be recorded in the appropriate asset category on the trade date and the branch or agency's obligation to pay for those assets shall be reported in Schedule RAL, item 4(f). Conversely, when an asset is sold, it shall be removed on the trade date from the asset category in which it was recorded, and the proceeds receivable resulting from the sale shall be reported in Schedule RAL, item 1(h). 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 other liability or other asset entry resulting from 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 branch or agency, on the trade date, would make no entries. On settlement date, the selling branch or agency 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

Branches and agencies that (a) regularly underwrite or deal in securities, interest rate contracts, foreign exchange rate contracts, other off-balance sheet commodity and equity contracts, other financial instruments, and other assets for resale, (b) acquire or take positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, or (c) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report such assets or positions as trading assets or liabilities.

All trading assets should be segregated from the other assets of a branch or agency and reported in Sched ule RAL, item 1(f), "Trading assets." The failure of a branch or agency 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 this report. For further information, see ASC Topic 320, Investments–Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting

for Certain Investments in Debt and Equity Securities").

All trading account assets should be reported at their fair value as defined in ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, "Fair Value Measurements"), with unrealized gains and losses recognized as part of unremitted profit/loss included in net due from/due to accounts. When a security or other asset is acquired, a branch or agency 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 branch or agency 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 branch or agency categorizes a newly acquired asset, management should document its decision.

All trading liabilities should be segregated from other transactions and reported in Schedule RAL, item 4(e), "Trading liabilities." The trading liability account includes the fair value of off-balance sheet derivative contracts held for trading that are in loss positions and short sales of securities and other assets. Trading account liabilities should be reported at fair value as defined in ASC Topic 820 with unrealized gains and losses recognized in current income in a manner similar to trading account assets.

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 branch or agency 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.

For purposes of these reports, short sales of securities or other assets are treated as trading transactions because such sales are entered into with the intent to profit from short-term price movements. Nonetheless, the obligation incurred in a short sale should *not* be netted against trading assets, but should be recorded as a liability in Schedule RAL, item 4(e), "Trading liabilities." (See the Glossary entry for "short position.")

Transaction Account

See "deposits."

Transactions with Related Institutions

Transactions with *related* depository institutions (as defined in the Glossary entry for "related institutions") are treated differently from transactions with *unrelated* deposi tory institutions. Moreover, transactions with *related* depository institutions are treated differently from transactions with *related* nondepository institutions (i.e., transactions with related nondepository institutions are treated in the same manner as transactions with nonrelated depository or nondepository institutions) if certain criteria, which are explained below, are met. The following describes the treatment of each type of transaction:

(1) *Transactions with nonrelated institutions* — Transactions with nonrelated institutions are to be reflected, as appropriate, in each item of Schedule RAL and supporting schedules other than (a) the items on net due from and due to *related* depository institutions (Schedule RAL, Asset item 2 and Liability item 5), and (b) Schedule M.

(2) *Transactions with related depository institutions*— Transactions with related depository institutions (and with those related nondepository institutions that are consolidated in the Report of Condition of a related U.S. bank) are to be reflected *only* in the item for net due from and due to related depository institutions (Schedule RAL, Asset item 2 and Liability item 5) and in Schedule M, Part I or Part II.

(3) *Transactions with related nondepository institutions*—Transactions with related nondepository institutions (other than those that are consolidated in the Report of Condition of a related U.S. bank) are generally to be reported similarly to the reporting of transactions with *nonrelated* institutions, i.e., they are to be reflected, as appropriate, in each item of Schedule RAL and the supporting schedules, other than (a) the items on net due from and due to *related* depository institutions (Schedule RAL, Asset item 2 and Liability item 5) and (b) Schedule M, Part I or Part II.

Note that transactions with related nondepository institutions are reported in Schedule M, Part III.

Transactions with majority-owned *depository* subsidiaries of related nondepository institutions *are to be treated* the same as transactions with related depository institutions and are reflected in the net due from and net due to related depository institutions items of Sched ule RAL (and in Schedule M, Part I or Part II) as appropriate and not in the other items of Schedule RAL or in the other schedules.

Transfers of Financial Assets

The accounting and reporting standards for transfers of financial assets are set forth in ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended by FASB Statement No. 156, "Accounting for Servicing of Financial Assets," FASB Statement No. 166, "Accounting for Transfers of Financial Assets," and certain other standards). Institutions must follow ASC Topic 860 for purposes of this report. 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 institution 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 an institution'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.[3] 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 an institution has surrendered control over transferred financial assets, the institution must first consider whether the entity to which the financial assets were transferred would be required to be consolidated by the institution. If it is determined that consolidation would be required by the institution, then the transferred financial assets would not be treated as having been sold in the institution's FFIEC 002 report even if all of the other provisions listed below are met.[4]

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) The transferred financial assets have been isolated from the transferor, i.e., put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership. Transferred financial assets are isolated in bankruptcy or other receivership only if the transferred financial assets would be beyond the reach

3. 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.

4. The requirements in ASC Subtopic 810-10, Consolidation—Overall (formerly FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," as amended by FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)"), should be applied to determine when a variable interest entity should be consolidated.

of the powers of a bankruptcy trustee or other receiver for the transferor or any of its consolidated affiliates included in the financial statements being presented. For multiple step transfers, an entity that is designed to make remote the possibility that it would enter bankruptcy or other receivership (bankruptcy-remote entity) is not considered a consolidated affiliate for purposes of performing the isolation analysis. Notwithstanding the isolation analysis, each entity involved in the transfer is subject to the applicable guidance on whether it must be consolidated.

(2) Each transferee (or, if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities and that entity is constrained from pledging or exchanging the assets it receives, each third-party holder of its beneficial interest) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or third-party holder of its beneficial interests) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.

(3) The transferor, its consolidated affiliates included in the financial statements being presented, or its agents do not maintain effective control over the transferred financial assets or third-party beneficial interests related to those transferred assets. Examples of a transferor's effective control over the transferred financial assets include, but are not limited to (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the transferred financial assets before their maturity, (b) an agreement that provides the transferor with both the unilateral ability to cause the holder to return specific financial assets and a more-than-trivial benefit attributable to that ability, other than through a cleanup call, or (c) an agreement that permits the transferee to require the transferor to repurchase the transferred financial assets at a price that is so favorable to the transferee that it is probable that the transferee will require the transferor to repurchase them.

If a transfer of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset does not meet the conditions for sale treatment, or if a transfer of a portion of an entire financial asset does not meet the definition of a participating interest (discussed below), the transferor and the transferee shall account for the transfer as a secured borrowing with pledge of collateral. The transferor shall continue to report the transferred financial assets in its financial statements with no change in their measurement (i.e., the original basis of accounting for the transferred financial assets is retained).

Accounting for a Transfer of an Entire Financial Asset or a Group of Entire Financial Assets That Qualifies as a Sale

Upon the completion of a transfer of an entire financial asset or a group of entire financial assets that satisfies all three of the conditions to be accounted for as a sale, the transferee(s) (i.e., purchaser(s)) must recognize all assets obtained and any liabilities incurred and initially measure them at fair value. The transferor (seller) should:[5]

(1) Derecognize or remove the transferred financial assets from the balance sheet.

(2) Recognize and initially measure at fair value servicing assets, servicing liabilities, and any other assets obtained (including a transferor's beneficial interest in the transferred financial assets) and liabilities incurred in the sale.

(3) Recognize in earnings any gain or loss on the sale (as reflected in net due from/due to accounts).

If, as a result of a change in circumstances, an institution transferor regains control of a transferred financial asset after a transfer that was previously accounted for as a sale because one or more of the conditions for sale accounting in ASC Topic 860 are no longer met or a transferred portion of an entire financial asset no longer meets the definition of a participating interest, such a change generally should be accounted for in the same manner as a purchase of the transferred financial asset from the former transferee (purchaser) in exchange for a liability assumed. The transferor should recognize (rebook) the financial asset

5. The guidance in this section of this Glossary entry does not apply to a transfer of a participating interest in an entire financial asset that qualifies as a sale. The accounting for such a transfer is discussed in a separate section later in this Glossary entry.

on its balance sheet together with a liability to the former transferee, measuring the asset and liability at fair value on the date of the change in circumstances. If the rebooked financial asset is a loan, it must be reported as a loan in Schedule C, part I, either as a loan held for sale or a loan held for investment, based on facts and circumstances, in accordance with generally accepted accounting principles. The liability to the former transferee should be reported as a secured borrowing in the appropriate item in Schedule P, Other Borrowed Money. This accounting and reporting treatment applies, for example, to U.S. Government-guaranteed or -insured residential mortgage loans backing Government National Mortgage Association (GNMA) mortgage-backed securities that an institution services after it has securitized the loans in a transfer accounted for as a sale. If and when individual loans later meet delinquency criteria specified by GNMA, they are eligible for repurchase (buy-back) and the institution is deemed to have regained effective control over these loans. The delinquent loans must be brought back onto the institution's books and recorded as loans, regardless of whether the institution intends to exercise the buy-back option.

Institutions should refer to ASC Topic 860 for implementation guidance for accounting for transfers of certain lease receivables, securities lending transactions, repurchase agreements including "dollar rolls," "wash sales," loan syndications, loan participations (discussed below), risk participations in bankers acceptances, factoring arrangements, and transfers of receivables with recourse. However, this accounting standard does not provideguidance on the accounting for most assets and liabilities recorded on the balance sheet following a transfer accounted for as a sale. As a result, after their initial measurement or carrying amount allocation, these assets and liabilities should be accounted for in accordance with the existing generally accepted accounting principles applicable to them.

Participating Interests

Before considering whether the conditions to be accounted for as a sale have been met (as discussed above), the transfer of a portion of an entire financial asset must first meet the definition of a participating interest. If the transferred portion of the entire financial asset is a qualifying participating interest (as defined below), then it should be determined whether the transfer of the participating interest meets the sales conditions discussed above.

A participating interest in an entire financial asset, as defined by ASC Topic 860, has all of the following characteristics:

(1) From the date of the transfer, it must represent a proportionate (pro rata) ownership interest in an entire financial asset;

(2) From the date of the transfer, all cash flows received from the entire financial asset, except any cash flows allocated as compensation for servicing or other services performed (which must not be subordinated and must not significantly exceed an amount that would fairly compensate a substitute service provider should one be required), must be divided proportionately among the participating interest holders in an amount equal to their share of ownership;

(3) The rights of each participating interest holder (including the lead lender) must have the same priority, no interest is subordinated to another interest, and no participating interest holder has recourse to the lead lender or another participating interest holder other than standard representations and warranties and ongoing contractual servicing and administration obligations; and

(4) No party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Thus, under ASC Topic 860, so-called "last-in, first-out" (LIFO) participations in which all principal cash flows collected on the loan are paid first to the party acquiring the participation do not meet the definition of a participating interest. Similarly, so-called "first-in, first-out" (FIFO) participations in which all principal cash flows collected on the loan are paid first to the lead lender do not meet the definition of a participating interest. As a result, neither LIFO nor FIFO participations transferred on or after the beginning of an institution's first annual reporting period that begins after November 15, 2009 (i.e., January 1, 2010, for an institution with a calendar year fiscal year) will qualify for sale accounting and instead must be reported as secured borrowings.

The participating interest definition also applies to transfers of government-guaranteed portions of loans, such as those guaranteed by the Small Business Administration (SBA). In this regard, if an institution transfers the guaranteed portion of an SBA loan at a premium, the "seller" is obligated by the SBA to refund the premium to the "purchaser" if the loan is repaid within 90 days of the transfer. This premium refund obligation is a form of recourse, which means that the transferred guaranteed portion of the loan does not meet the definition of a "participating interest" for the 90-day period that the premium refund obligation exists. As a result, the transfer must be accounted for as a secured borrowing during this period. After the 90-day period, assuming the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan now meet the definition of a "participating interest," the transfer of the guaranteed portion can be accounted for as a sale if all of the conditions for sale accounting are met. In contrast, if the guaranteed portion of the SBA loan is transferred at par in a so-called "par sale" in which the "seller" agrees to pass interest through to the "purchaser" at less than the contractual interest rate and the spread between the contractual rate and the pass-through interest rate significantly exceeds an amount that would fairly compensate a substitute servicer, the excess spread is viewed as an interest-only strip. The existence of this interest-only strip results in a disproportionate sharing of the cash flows on the entire SBA loan, which means that the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan do not meet the definition of a "participating interest," which precludes sale accounting. Instead, the transfer of the guaranteed portion must be accounted for as a secured borrowing.

Accounting for a Transfer of a Participating Interest That Qualifies as a Sale

Upon the completion of a transfer of a participating interest that satisfies all three of the conditions to be accounted for as a sale, the participating institution(s) (the transferee(s)) shall recognize the participating interest(s) obtained, other assets obtained, and any liabilities incurred and initially measure them at fair value. The originating lender (the transferor) must:

(1) Allocate the previous carrying amount of the entire financial asset between the participating interest(s) sold and the participating interest that it continues to hold based on their relative fair values at the date of the transfer.

(2) Derecognize the participating interest(s) sold.

(3) Recognize and initially measure at fair value servicing assets, servicing liabilities, and any other assets obtained and liabilities incurred in the sale.

(4) Recognize in earnings any gain or loss on the sale (as reflected in net due from/due to accounts).

(5) Report any participating interest(s) that continue to be held by the originating lender as the difference between the previous carrying amount of the entire financial asset and the amount derecognized.

Additional Considerations Pertaining to Participating Interests

When evaluating whether the transfer of a participating interest in an entire financial asset satisfies the conditions for sale accounting under ASC Topic 860, an originating lender's right of first refusal on a bona fide offer to the participating institution from a third party, a requirement for a participating institution to obtain the originating lender's permission to sell or pledge the participating interest that shall not be unreasonably withheld, or a prohibition on the participating institution's sale of the participating interest to the originating lender's competitor (if other potential willing buyers exist) is a limitation on the participating institution's rights, but is presumed not to constrain a participant from exercising its right to pledge or exchange the participating interest. However, if the participation agreement constrains the participating institution from pledging or exchanging its participating interest, the originating lender presumptively receives more than a trivial benefit, has not relinquished control over the participating interest, and should account for the transfer of the participating interest as a secured borrowing.

A loan participation agreement may give the originating lender the contractual right to repurchase a participating interest at any time. In this situation, the right to repurchase is effectively a call option on a specific participating interest, i.e., a participating interest that is not readily obtainable in the marketplace. Regardless of whether this option is freestanding or attached, it

either constrains the participating institution from pledging or exchanging its participating interest or results in the originating lender maintaining effective control over the participating interest. As a consequence, the contractual right to repurchase precludes sale accounting and the transfer of the participating interest should be accounted for as a secured borrowing, not as a sale.

In addition, under a loan participation agreement, the originating lender may give the participating institution the right to resell the participating interest, but reserves the right to call the participating interest at any time from whoever holds it and can enforce that right by discontinuing the flow of interest to the holder of the participating interest at the call date. In this situation, the originating lender has maintained effective control over the participating interest and the transfer of the participating interest should be accounted for as a secured borrowing, not as a sale.

If an originating FDIC-insured lender transfers a loan participation with recourse after December 31, 2001, the participation generally will not be considered isolated from the transferor, i.e., the originating lender, in the event of an FDIC receivership. Section 360.6 of the FDIC's regulations limits the FDIC's ability to reclaim loan participations transferred "without recourse," as defined in the regulations, but does not limit the FDIC's ability to reclaim loan participations transferred with recourse. Under Section 360.6, a participation that is subject to an agreement that requires the originating lender to repurchase the participation or to otherwise compensate the participating institution due to a default on the underlying loan is considered a participation "with recourse." As a result, a loan participation transferred "with recourse" after December 31, 2001, generally should be accounted for as a secured borrowing and not as a sale for financial reporting purposes. This means that the originating lender should not remove the participation from its loan assets on the balance sheet, but should report the secured borrowing in the appropriate item in Schedule P, Other Borrowed Money.

Reporting Transfers of Loan Participations That Do Not Qualify for Sale Accounting

If a transfer of a portion of an entire financial asset does not meet the definition of a participating interest, or if a transfer of a participating interest does not meet all of the conditions for sale accounting, the transfer must be reported as a secured borrowing with pledge of collateral. In these situations, because the transferred loan participation does not qualify for sale accounting, the originating lender must continue to report the transferred participation (as well as the retained portion of the loan) as a loan on the balance sheet (Schedule RAL), normally in item 1.e, "Loans and leases held for investment and held for sale," and in the appropriate loan category in Schedule C, part I, Loans and Leases. The originating lender should report the transferred loan participation as a secured borrowing on the balance sheet in Schedule RAL, item 4.c, "Other borrowed money," and in the appropriate item or items in Schedule P, Other Borrowed Money. As a consequence, if the branch or agency that is the originating lender chooses to maintain an allowance for loan losses, the transferred loan participation should be included in the originating lender's loans and leases for purposes of determining the appropriate level for the lender's allowance.

An institution that acquires a nonqualifying loan participation (or a qualifying participating interest in a transfer that does not does not meet all of the conditions for sale accounting) should normally report the loan participation or participating interest in item 1.e, "Loans and leases held for investment and held for sale," on the balance sheet (Schedule RAL) and in the loan category appropriate to the under-lying loan, e.g., as a "commercial and industrial loan" in item 4 or as a "loan secured by real estate" in item 1, in Schedule C, part I, Loans and Leases.

Financial Assets Subject to Prepayment

Financial assets such as interest-only strips receivable, other beneficial interests, loans, debt securities, and other receivables, but excluding financial instruments that must be accounted for as derivatives, that can contractually be prepaid or otherwise settled in such a way that the holder of the financial asset would not recover substantially all of its recorded investment do not qualify to be accounted for at amortized cost. After their initial recording on the balance sheet, financial assets of this type must be subsequently measured at fair value like available-for-sale securities or trading securities.

Traveler's Letter of Credit

See "letter of credit."

U.S. Banks

See "banks, U.S. and foreign."

U.S. Income Taxes

Under U.S. tax law, U.S. branches and agencies are not taxed as separate entities. Therefore, under ASC Topic 740, Income Taxes (formerly FASB Statement No. 109, "Accounting for Income taxes"), branches and agencies typically do not report any tax assets or liabilities on Schedule RAL of their FFIEC 002. However, if a branch or agency acts as agent of the parent bank for the payment of current U.S. income taxes on the U.S. taxable income generated by the branch or agency, the effects of the tax payment should be reported using one of the methods below.

(1) **Branch or agency accrues a provision for income taxes on behalf of the parent and then pays the taxes on behalf of the parent:**

The amount of the provision accrued by the branch or agency should be reported on Schedule M, Due from/ Due to Related Depository Institutions in the U.S. and Foreign Countries, Part I, "Head office of parent bank" (item 2.a) as a component of unremitted profits and losses. The corresponding income taxes payable should be reported on Schedule RAL, item 4.f, column A, "Other liabilities to nonrelated parties" or Schedule M, Part I, item 2.a, column B, "Gross due to."

(2) **Branch or agency pays taxes on a cash basis on behalf of the parent:**

The amount due from head office should be reported on Schedule M, Part I, item 2.a, column A, "Gross due from."

(3) **Branch or agency pays taxes on a cash basis by charging parent's demand deposit account:**

The amount due from head office should be reported on Schedule M, Part I, item 2.a, column A, "Gross due from."

U.S. Territories and Possessions

United States territories and possessions include American Samoa, Guam, the Northern Mariana Islands, the U.S. Virgin Islands, and the U.S. trust territories.

Valuation Allowance

In general, a valuation allowance is an account established for a specific asset or asset category or to recognize a specific liability, with the intent of absorbing some element of estimated loss. Such allowances are created by charges to expense accounts reported as part of an institution's net unremitted profits. Allowances established for an asset or asset category are netted from the asset reported on Schedule RAL.

U.S. branches and agencies are not required to maintain allowances for loan losses on an office level. The outstanding balance of a loan or lease should only be written down for regulatory reporting purposes when management has identified a specific loss amount. The amount of loans and leases to be reported on Schedules RAL and C is the outstanding balances less any specified loss amounts.

When-Issued Securities Transactions

Transactions involving securities described as "when-issued" or "when-as-and-if-issued" are, by their nature, conditional, i.e., their completion is contingent upon the issuance of the securities. The accounting for contracts for the purchase or sale of when-issued securities or other securities that do not yet exist is addressed in ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by FASB Statement No. 149). Such contracts are excluded from the requirements of ASC Topic 815 as a regular-way security trade only if:

(1) There is no other way to purchase or sell that security;

(2) Delivery of that security and settlement will occur within the shortest period possible for that type of security; and

(3) It is probable at inception and throughout the term of the individual contract that the contract

will not settle net and will result in physical delivery of a security when it is issued.

A contract for the purchase or sale of when-issued securities may qualify for the regular-way security trade exclusion even though the contract permits net settlement or a market mechanism to facilitate net settlement of the contract exists (as described in ASC Topic 815). An institution should document the basis for concluding that it is probable that the contract will not settle net and will result in physical delivery.

If a when-issued securities contract does not meet the three criteria above, it should be accounted for as a derivative at fair value on the balance sheet (Schedule RAL) and reported as a forward contract in Schedule L, item 9.b, or Schedule M, Part V, item 9.b. Such contracts should be reported on a gross basis on the balance sheet unless the criteria for netting in ASC Subtopic 210-20, Balance Sheet—Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts"), are met. (See the Glossary entry for "offsetting" for further information.)

If a when-issued securities contract qualifies for the regular-way security trade exclusion, it is not accounted for as a derivative. If the institution accounts for these contracts on a trade-date basis, it should recognize the acquisition or disposition of the when-issued securities on its balance sheet (Schedule RAL) at the inception of the contract. If the institution accounts for these contracts on a settlement-date basis, contracts for the purchase of when-issued securities should be reported as "All other off-balance sheet contingent liabilities" in Schedule L, item 7, or in Schedule M, Part V, item 7, and contracts for the sale of when-issued securities should be reported as "All other off-balance sheet contingent claims" in Schedule L, item 8, or in Schedule M, Part V, item 8, subject to the existing reporting thresholds for these items.

Trading in when-issued securities normally begins when the U.S. Treasury or some other issuer of securities announces a forthcoming issue. (In some cases, trading may begin in anticipation of such an announcement and should also be reported as described herein.) Since the exact price and terms of the security are unknown before the auction date, trading prior to that date is on a "yield" basis. On the auction date the exact terms and price of the security become known and when-issued trading continues until settlement date, when the securities are delivered and the issuer is paid. If physical delivery is taken on settlement date and settlement date accounting is used, the securities purchased by the institution shall be reported on the balance sheet as held-to-maturity securities in Schedule RAL, Memorandum items 1 and 2; available-for-sale securities in Schedule RAL, Memorandum items 3 and 4; or trading assets in Schedule RAL, item 1.f, as appropriate.

Appendix
List of the Address and Telephone Number for Each Federal Reserve Bank

District		Address and Telephone Number
01	Boston	Statistical Section Research Department Federal Reserve Bank of Boston 600 Atlantic Avenue Boston, Massachusetts 02106 (617) 973-3315
02	New York	Regulatory Reports Division Financial Reports Department Federal Reserve Bank of New York 33 Liberty Street New York, New York 10045 (212) 720-6393
03	Philadelphia	Financial and Regulatory Reporting Financial Statistics Department Federal Reserve Bank of Philadelphia 10 Independence Mall Philadelphia, Pennsylvania 19106-1574 (215) 574-6605
04	Cleveland	Department of Data Services Federal Reserve Bank of Cleveland P.O. Box 6387 Cleveland, Ohio 44101 (216) 579-2074
05	Richmond	Statistics Division Research Department Federal Reserve Bank of Richmond P.O. Box 27622 Richmond, Virginia 23261 (804) 697-8000
06	Atlanta	Federal Reserve Bank of Atlanta Attn: Statistical Reports Department 2301 DeFoor Hills Road Atlanta, Georgia 30318 (404) 498-8826

District		Address and Telephone Number
07	Chicago	Research Department Statistics Division Federal Reserve Bank of Chicago P.O. Box 834 Chicago, Illinois 60690-0834 (312) 322-5774
08	St. Louis	Banking Supervision and Regulation Division Federal Reserve Bank of St. Louis P.O. Box 442 St. Louis, Missouri 63166 (314) 444-8512
09	Minneapolis	Federal Reserve Bank of Minneapolis Risk Management Division Statistical and Structure Reporting P.O. Box 291 Minneapolis, Minnesota 55480-0291 (612) 204-6445
10	Kansas City	Federal Reserve Bank of Kansas City Statistical Services Department 925 Grand Blvd Kansas City, Missouri 64198 (816) 881-2390
11	Dallas	Federal Reserve Bank of Dallas Statistics Department Regulatory Reports Division P.O. Box 655906 Dallas, Texas 75265-5906 (214) 922-5401
12	San Francisco	International Reports Section Statistics Department Federal Reserve Bank of San Francisco 101 Market Street San Francisco, California 94105 (415) 974-3120