



# Recent and Proposed Revisions to the Call Report

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December 10, 2019

# Topics to be Covered

Call Report revisions resulting from:

1. Final rule implementing Section 205 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (EGRRCPA) on reduced reporting
2. New accounting standard on credit losses
3. Capital Simplifications and Community Bank Leverage Ratio (CBLR) final rules
4. Exclusion of certain reciprocal deposits from being treated as brokered deposits
5. New accounting standard on leases



# Section 205 of the EGRRCPA

Douglas Carpenter (FRB)

# Section 205 Background

- On May 24, 2018, the *Economic Growth, Regulatory Relief, and Consumer Protection Act* was enacted. Section 205 of EGRRCPA states that the appropriate Federal banking agencies shall issue regulations that allow for a reduced reporting requirement for a covered depository institution when the institution makes the first and third report of condition for a year.
- The term ‘covered depository institution’ means an insured depository institution that—
  - has less than \$5,000,000,000 in total consolidated assets; and
  - satisfies such other criteria as the appropriate Federal banking agencies determine appropriate.

# Section 205 Implementation

- On June 21, 2019, the agencies issued a final rule to implement Section 205 of the EGRRCPA by making further revisions to the new FFIEC 051 Call Report that was introduced as of March 31, 2017.
- The revisions to the FFIEC 051 Call Report took effect beginning with the September 30, 2019, report date.

# Section 205 Final Rule Overview

- First, the agencies revised the criteria for determining whether an institution is eligible to file the FFIEC 051 Call Report.
- Second, the agencies revised the reporting frequency and applicability of certain data items in the FFIEC 051 Call Report.
- Third, for covered depository institutions with total assets of \$1 billion or more, the agencies added to the FFIEC 051 Call Report certain data items that these institutions currently report on the FFIEC 041 Call Report, but generally with reduced reporting frequency.

# FFIEC 051 Call Report Revised Eligibility

An institution is eligible to file the FFIEC 051 Call Report if it meets the following criteria:

- Has less than \$5 billion in total consolidated assets (as of June 30th of the preceding year);
- Has no foreign offices;
- Is not an “advanced approaches” institution; and
- Is not deemed to be a large/highly complex institution under the FDIC’s deposit insurance assessment regulations.

# FFIEC 051 Call Report Reduced Reporting

- The agencies have reduced the reporting frequency for a number of existing data items in the FFIEC 051 Call Report from quarterly to semiannually, which further streamlines the report in the first and third quarters by increasing the number of FFIEC 051 Call Report data items for which semiannual reporting will apply.
- The reductions in frequency apply to the reporting on:
  - Schedule RI, Report of Income: Other-Than-Temporary Impairment;
  - Schedule RC-E, Deposit Liabilities: Certain data on Individual Retirement Accounts and Keogh Plan accounts;

# FFIEC 051 Call Report Reduced Reporting (cont'd)

- Schedule RC-R, Regulatory Capital: Detailed information on the risk weighting of assets and other exposures;
- Schedules RC-C, Loans and Lease Financing Receivables: Troubled debt restructurings by loan category;
- Schedule RC-N, Past due and Nonaccrual Loans, Leases, and Other Assets: Troubled debt restructurings by loan category;
- Schedule RC-M, Memoranda: Website addresses and trade names in; and
- Schedule RC-T, Fiduciary and Related Services: For certain institutions, fiduciary and related services assets and income

# FFIEC 051 Call Report Additional Items

- For institutions with \$1 billion or more in total assets that are now eligible to file the FFIEC 051 Call Report, this version of the Call Report includes certain data items that these institutions reported in the FFIEC 041 Call Report, but generally with a reduced reporting frequency.
  - Semiannual in June and December: Disaggregated data on the allowance for loan and lease losses
  - Annual in December: Certain data on consumer deposit account products, if applicable
  - Quarterly: Estimated uninsured deposits

Note: These items will not be required to be completed by institutions with less than \$1 billion in total assets that file the FFIEC 051 Call Report.



# Call Report Revisions Resulting from the New Accounting Standard on Credit Losses

Andrew Overton (FDIC)

# New Accounting Standard on Credit Losses

Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments:

- Introduces the current expected credit losses methodology (CECL) for estimating allowances for credit losses, replacing the existing incurred loss methodology
- Reduces the number of credit impairment models
- Replaces the concept of purchased credit-impaired (PCI) with purchased credit-deteriorated (PCD) assets
- Replaces the existing other-than-temporary impairment (OTTI) model for recognizing credit losses on available-for-sale (AFS) and held-to-maturity (HTM) debt securities with an allowance approach
- Regulatory Reporting Mandatory Effective Dates\*
  - 3/31/2020 – Institutions that are Securities and Exchange Commission (SEC) filers, as defined in U.S. GAAP, excluding filers that are “smaller reporting companies” under SEC rules
  - 3/31/2023 – All other institutions

\* For institutions with calendar year fiscal years.

# New Accounting Standard on Credit Losses

- General Types of Call Report Revisions
  - “Allowance for Loan and Lease Losses (ALLL)” and “Provision for Loan and Lease Losses (PLLL)” changed to “Allowance for Credit Losses (ACL)” and “Provision for Credit Losses (PCL)”
  - Schedules revised to include ACLs on securities, but will also see removal of data items to reflect elimination of PCI assets and OTTI
  - New CECL-related data items are on Schedules RI-B, RI-E, RC, RC-R, and Schedule RI-C, if applicable
  - CECL-related revisions also affect information reported in Schedule RI, Schedule RC, and other balance-sheet-related schedules
  - Impact on Schedule RC-R, Regulatory Capital, is more limited for those institutions qualifying for and electing the Community Bank Leverage Ratio (CBLR)
  - Unless otherwise noted, revisions were implemented March 31, 2019

# New Accounting Standard on Credit Losses

- Revisions to Report of Income Schedules
  - PLLL to PCL
  - Data item for OTTI to be removed
  - Schedule RI-B, Part II, expanded to include ACLs on securities

## Part II. Changes in Allowances for Credit Losses<sup>1</sup>

| Dollar Amounts in Thousands  | (Column A)<br>Loans and Leases Held<br>for Investment |        | (Column B)<br>Held-to-Maturity<br>Debt Securities <sup>2</sup> |        | (Column C)<br>Available-for-Sale<br>Debt Securities <sup>2</sup> |        |
|--|---|--------|--|--------|--|--------|
|  | RIAD  | Amount | RIAD   | Amount | RIAD   | Amount |
| 1. Balance most recently reported for the<br><i>December 31, 2018</i> , Reports of Condition and<br>Income (i.e., after adjustments from amended<br>Reports of Income) ..... | B522  |        | JH88   |        | JH94   |        |
| 2. Recoveries (column A must equal Part I, item 9,<br>column B, above) .....   | 4605  |        | JH89   |        | JH95   |        |
| 3. LESS: Charge-offs (column A must equal Part I,<br>item 9, column A, above less Schedule RI-B,<br>Part II, item 4, column A) .....   | C079  |        | JH92   |        | JH98   |        |
| 4. LESS: Write-downs arising from transfers of<br>financial assets <sup>3</sup> .....  | 5523  |        | JJ00   |        | JJ01   |        |
| 5. Provisions for credit losses <sup>4,5</sup> .....   | 4230  |        | JH90   |        | JH96   |        |
| 6. Adjustments* (see instructions for<br>this schedule) .....  | C233  |        | JH91   |        | JH97   |        |
| 7. Balance end of current period (sum of items 1, 2, 5,<br>and 6, less items 3 and 4) (column A must equal<br>Schedule RC, item 4.c) .....                                   | 3123  |        | JH93   |        | JH99   |        |

# New Accounting Standard on Credit Losses

- Revisions to Report of Income Schedules
  - Schedule RI-E, items 4 and 6, include three preprinted captions related to CECL and one preprinted caption related to the new lease accounting standard.

|  |      |      |      |  |
|--|------|------|------|--|
| 4. Cumulative effect of changes in accounting principles and corrections of material accounting errors (from Schedule RI-A, item 2) (itemize and describe all such effects): |      |      |      |  |
| a. Effect of adoption of current expected credit losses methodology - ASU 2016-13 <sup>1,2</sup> .....   | JJ26 |      |      |  |
| b. Effect of adoption of lease accounting standard - ASC Topic 842 .....   | KW17 |      |      |  |
| c. <table border="1"><tr><td>TEXT</td></tr><tr><td>B526</td></tr></table>  | TEXT | B526 | B526 |  |
| TEXT   |      |      |      |  |
| B526   |      |      |      |  |
| d. <table border="1"><tr><td>TEXT</td></tr><tr><td>B527</td></tr></table>  | TEXT | B527 | B527 |  |
| TEXT   |      |      |      |  |
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|  |      |      |      |  |
|--|------|------|------|--|
| 6. Adjustments to allowances for credit losses <sup>1</sup> (from Schedule RI-B, Part II, item 6) (itemize and describe all adjustments):  |      |      |      |  |
| a. Initial allowances for credit losses recognized upon the acquisition of purchased credit-deteriorated assets on or after the effective date of ASU 2016-13 <sup>2</sup> ..... | JJ27 |      |      |  |
| b. Effect of adoption of current expected credit losses methodology on allowances for credit losses <sup>2,3</sup> .....   | JJ28 |      |      |  |
| c. <table border="1"><tr><td>TEXT</td></tr><tr><td>4521</td></tr></table>  | TEXT | 4521 | 4521 |  |
| TEXT   |      |      |      |  |
| 4521   |      |      |      |  |
| d. <table border="1"><tr><td>TEXT</td></tr><tr><td>4522</td></tr></table>  | TEXT | 4522 | 4522 |  |
| TEXT   |      |      |      |  |
| 4522   |      |      |      |  |

# New Accounting Standard on Credit Losses

- Revisions to Report of Income Schedules – Institutions with \$1 billion or more in total assets only
  - Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses, was added to FFIEC 051 Call Report in September 2019, but is collected only in June and December
    - Items 1 through 6 applicable to loans and allowances under incurred loss methodology and, after its adoption, under CECL
    - Items 7 through 11 on ACLs on HTM debt securities applicable after an institution adopts of CECL

|  | (Column A)<br>Recorded Investment <sup>2</sup> |        | (Column B)<br>Allowance Balance <sup>2</sup> |        |
|--|--|--------|--|--------|
|  | RCON   | Amount | RCON   | Amount |
| Dollar Amounts in Thousands                              |  |        |  |        |
| <b>Loans and Leases Held for Investment:</b>             |  |        |  |        |
| 1. Real estate loans:                                    |  |        |  |        |
| a. Construction loans .....                              | JJ04   |        | JJ12   |        |
| b. Commercial real estate loans .....                    | JJ05   |        | JJ13   |        |
| c. Residential real estate loans .....                   | JJ06   |        | JJ14   |        |
| 2. Commercial loans <sup>3</sup> .....                   | JJ07   |        | JJ15   |        |
| 3. Credit cards .....                                    | JJ08   |        | JJ16   |        |
| 4. Other consumer loans .....                            | JJ09   |        | JJ17   |        |
| 5. Unallocated, if any .....                             |  |        | JJ18   |        |
| 6. Total (sum of items 1.a through 5) <sup>4</sup> ..... | JJ11   |        | JJ19   |        |

# New Accounting Standard on Credit Losses

- Revisions to Report of Income Schedules – Institutions with \$1 billion or more in total assets only
  - Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses (cont.)

|  | Allowance Balance |        |     |
|--|-------------------|--------|-----|
|  | RCON              | Amount |     |
| Dollar Amounts in Thousands  |                   |        |     |
| <b>Held-to-Maturity Securities:</b>  |                   |        |     |
| 7. Securities issued by states and political subdivisions in the U.S. ....           | JJ20              |        | 7.  |
| 8. Mortgage-backed securities (MBS) (including CMOs, REMICs, and stripped MBS) ..... | JJ21              |        | 8.  |
| 9. Asset-backed securities and structured financial products.....                    | JJ23              |        | 9.  |
| 10. Other debt securities .....  | JJ24              |        | 10. |
| 11. Total (sum of items 7 through 10) <sup>6</sup> .....                             | JJ25              |        | 11. |

- On the FFIEC 041 and FFIEC 031 Call Reports, items 1-11 above added in March 2019 as Part II of Schedule RI-C for institutions that have adopted CECL; existing items 1 through 6, columns A through F, designated Part I and applicable to institutions that have not adopted CECL

# New Accounting Standard on Credit Losses

- Revisions to Report of Condition Schedules
  - Loans and leases are the only asset category that is reported gross of ACLs on Schedule RC, Balance Sheet (separate items for carrying amount and allowance)
  - HTM securities, Securities purchased under agreements to resell, and Other Assets all reported net of ACLs, if any, on Schedule RC
  - Schedules RC-B; RC-C, Part I; RC-F; RC-G; RC-N; and SU on FFIEC 051 – Footnotes for various data items added to reflect reporting of ACLs
  - Schedule RC-K – ACLs deducted from related amortized cost amounts when calculating the quarterly average for total assets, item 9, but not for quarterly averages for data items for individual asset categories

# New Accounting Standard on Credit Losses

- Regulatory Capital Revisions, including CECL Regulatory Capital Transition
  - Schedule RC-R, Part I, Item 2.a – New item asks institutions to indicate if they have a CECL transition election in effect
  - Schedule RC-R, Part I, Item 2, “Retained earnings” – If CECL transition has been elected, the applicable portion of the CECL transitional amount is included in this item
  - Schedule RC-R, Part II – Risk-weighting for loans and leases, HTM securities, and other financial assets measured at amortized cost should be calculated at amortized cost gross of ACL, but net of ACL for PCD assets

| Dollar Amounts in Thousands   | RCOA | Amount |
|---|------|--------|
| <b>Common Equity Tier 1 Capital</b>   |      |        |
| 1. Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares..... | P742 |        |
| 2. Retained earnings <sup>1</sup> .....   | KW00 |        |

a. To be completed only by institutions that have adopted ASU 2016-13:  
 Does your institution have a CECL transition election in effect as of the quarter-end report date?  
 (enter "1" for Yes; enter "0" for No.).....

|       |      |  |
|-------|------|--|
| 0=No  | RCOA |  |
| 1=Yes | JJ29 |  |

# New Accounting Standard on Credit Losses

- Regulatory Capital Revisions, including CECL Regulatory Capital Transition
  - Schedule RC-R, Part II – New Memo items 4.a through 4.c will be used to report allowances on PCD loans and leases held for investment, HTM debt securities, and other financial assets measured at amortized cost
  - Schedule RC-R, Part II – Revisions will not apply to institutions that are reporting under the CBLR framework
  - Schedule RC-R, Part I – Instructions explain how an institution with a CECL transition election in effect should report average total consolidated assets, amount of allowance to include in Tier 2 Capital, and, on FFIEC 031 and FFIEC 041, total leverage exposure, if applicable

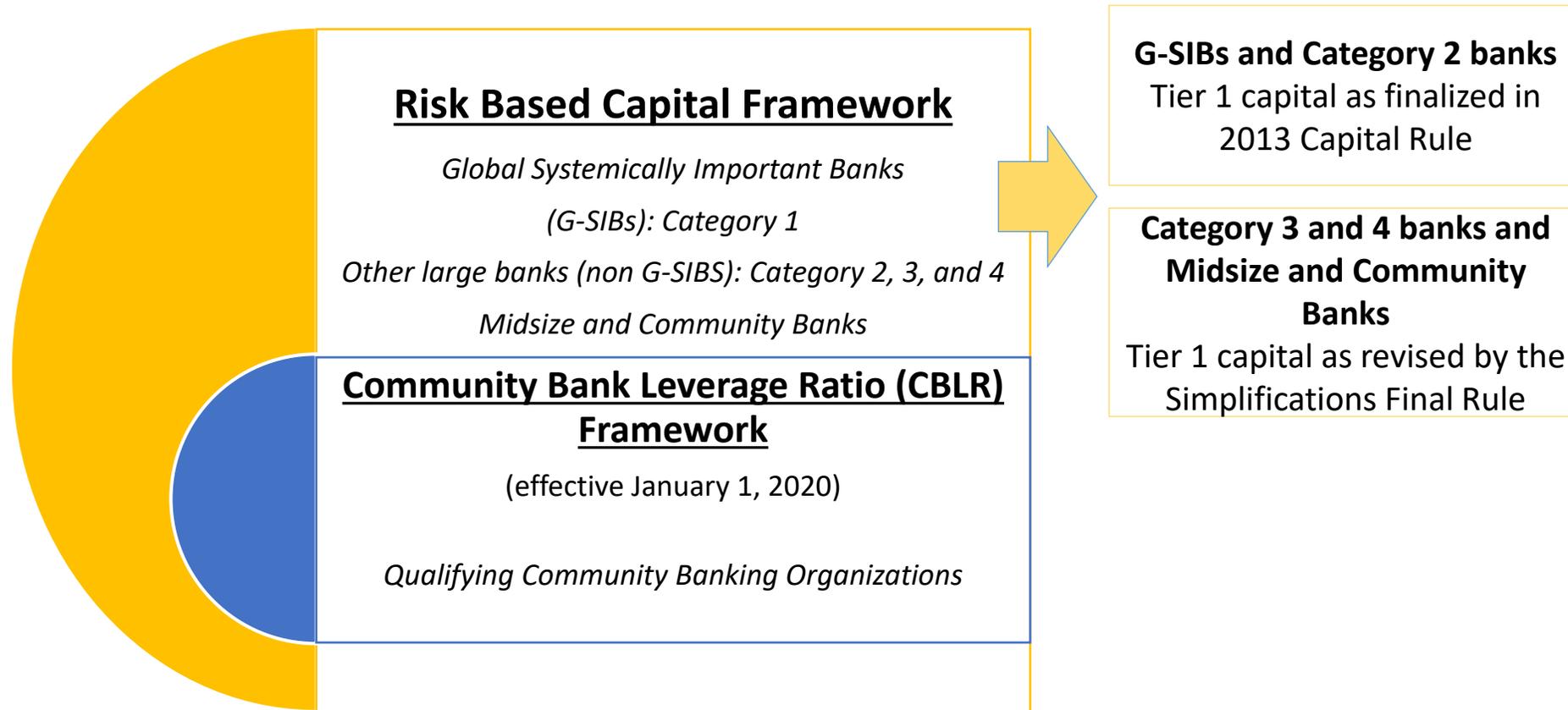
| Dollar Amounts in Thousands   | RCON | Amount |
|---|------|--------|
| <b>4. Amount of allowances for credit losses on purchased credit-deteriorated assets:<sup>1</sup></b> |      |        |
| a. Loans and leases held for investment.....  | JJ30 |        |
| b. Held-to-maturity debt securities.....  | JJ31 |        |
| c. Other financial assets measured at amortized cost .....  | JJ32 |        |



# Simplifications Final Rule and Community Bank Leverage Ratio Framework

Benjamin Pegg (OCC)

# U.S. Regulatory Capital Framework



# Simplifications Final Rule - Summary

## **Increases the individual threshold deduction**

- Increases the individual deduction thresholds from 10% to 25% of common equity tier 1.

## **Eliminates the aggregate threshold deduction**

- Eliminates the aggregate 15% common equity tier 1 deduction threshold.

## **Changes to investments in unconsolidated financial institutions**

- Replaces the current distinction between significant and non-significant investments with one treatment.

## **Limitation on Minority Interest**

- Limited to 10% of the bank's relevant tier of capital.

# Proposed Call Report Revisions for Simplifications Final Rule

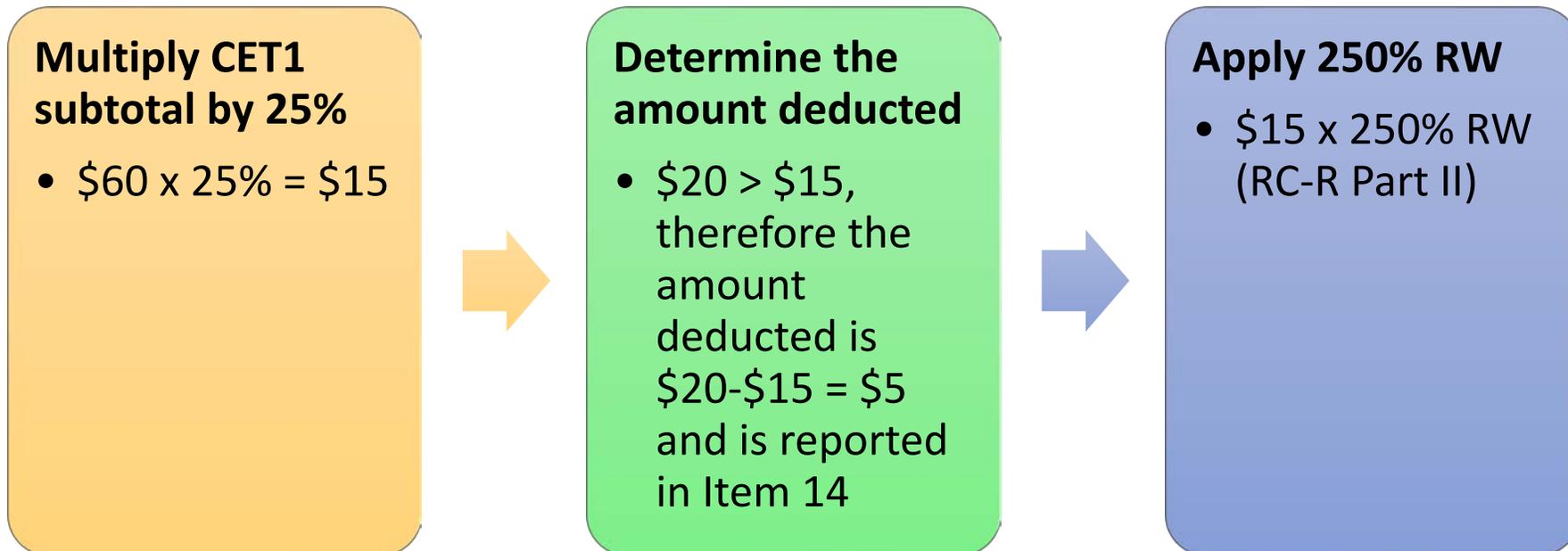
- 11. Not applicable ~~significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments~~ .....
- 12. Subtotal (item 5 minus items 6 through 10.b) .....
- 13. LESS: ~~Significant~~ Investments in the capital of unconsolidated financial institutions ~~in the form of common stock~~, net of associated DTLs, that exceed ~~the 10 percent common equity tier 1 capital deduction threshold~~ 25 percent of item 12 .....
- 14. LESS: MSAs, net of associated DTLs, that exceed ~~the 10 percent common equity tier 1 capital deduction threshold~~ 25 percent of item 12 .....
- 15. LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed ~~the 10 percent common equity tier 1 capital deduction threshold~~ 25 percent of item 12 .....
- 16. Not applicable ~~of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold~~ .....

|      |  |     |
|------|--|-----|
|      |  |     |
| P851 |  | 11. |
| P852 |  | 12. |
|      |  |     |
| P853 |  | 13. |
|      |  |     |
| P854 |  | 14. |
|      |  |     |
| P855 |  | 15. |
|      |  |     |
| P856 |  | 16. |

# Simplifications – Deduction Example

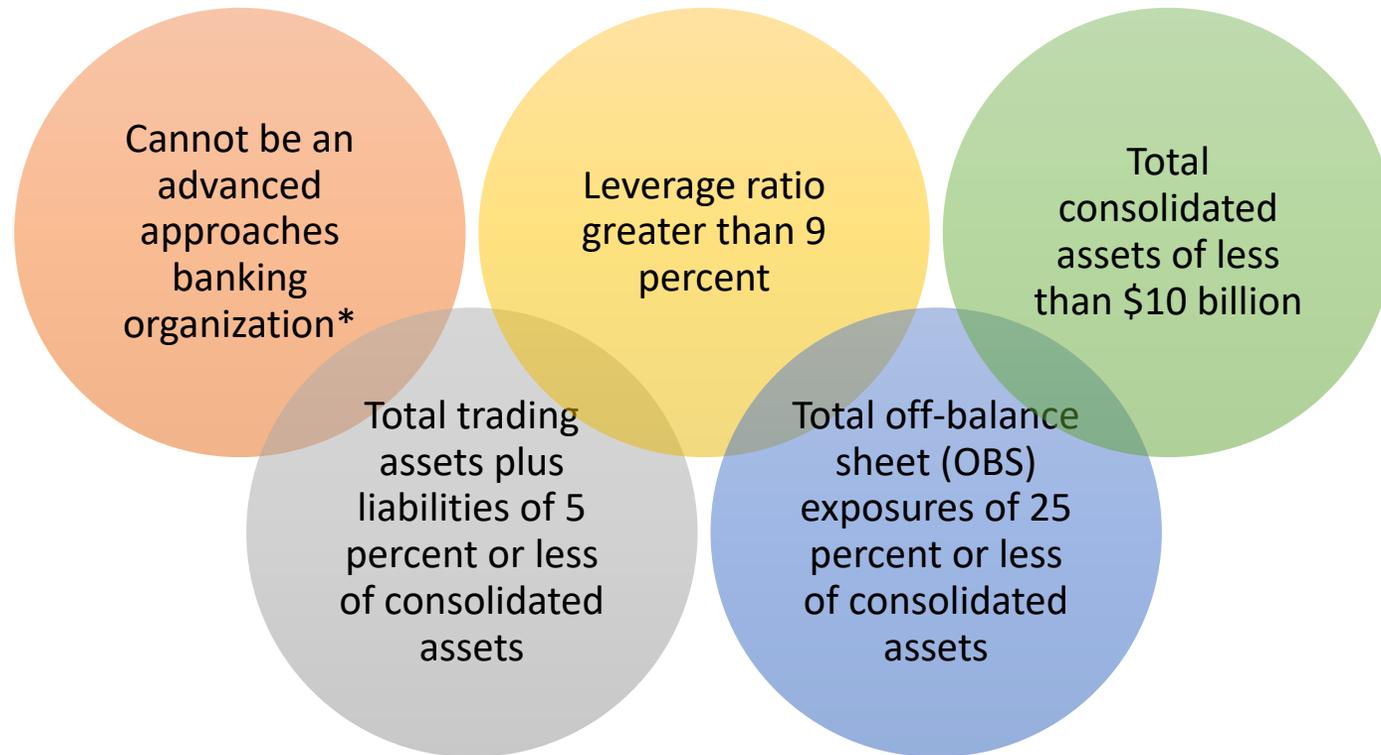
Example: Assume that an institution has:

- Total CET1 before additional threshold deductions: \$60 (Item 12)
- MSAs, net of associated DTLs: \$20



The same calculation method is applicable to DTAs arising from temporary differences for **item 15**.

# What are the requirements to be eligible to use the CBLR Framework?



\*Including a subsidiary of an advanced approaches banking organization

# Calculation of the CBLR

**CBLR**



**Tier 1 capital (includes changes related to simplifications final rule and CECL)**

**Average total consolidated assets for the current quarter\* and less  
deductions from tier 1 capital**

\*Reported on Schedule RC-K, item 9 and FR Y-9C, Schedule HC-K, item 5

- The CBLR is generally calculated in the same manner as the leverage ratio currently calculated by banks.
- The CBLR framework does not have a total capital requirement.
  - Therefore, an electing banking organization is not required to calculate tier 2 capital or make any tier 2 capital deductions.
  - The generally applicable capital rule requires deductions from tier 2 capital related to investments in capital instruments of unconsolidated financial institutions when such investments exceed certain limits. Such deductions can affect the calculation of tier 1 capital for banks under the generally applicable capital rule.

# Proposed CBLR Call Report Revisions

26. Tier 1 capital (sum of items 19 and 25) ..... 8274

## Total Assets for the Leverage Ratio

27. Average total consolidated assets<sup>1</sup>.....

28. LESS: Deductions from common equity tier 1 capital and additional tier 1 capital (sum of items 6, 7, 8, 10.b, 13 through 15, 17, and certain elements of item 24 - see instructions).....

29. LESS: Other deductions from (additions to) assets for leverage ratio purposes.....

30. Total assets for the leverage ratio (item 27 minus items 28 and 29).....

## Leverage Ratio\*

31. Leverage ratio (item 26 divided by 30) .....

|      |  |
|------|--|
| 8274 |  |
|------|--|

| RCOA | Amount |
|------|--------|
| KW03 |        |
|      |        |
| P875 |        |
|      |        |
| B596 |        |
| A224 |        |

| RCOA | Percentage |
|------|------------|
| 7204 |            |

→ As proposed, the leverage ratio calculation has been moved up and is now after the tier 1 numerator calculation in Schedule RC-R, Part I.

\*Report each ratio and criterion as a percentage, rounded to four decimal places, e.g., 12.3456.

<sup>1</sup>Institutions that have adopted ASU 2016-13 and have elected to apply the CECL transition provision should include the applicable portion of the CECL transitional amount.

# Proposed CBLR Call Report Revisions (cont'd)

Items 32 through 34.d are to be completed only by qualifying institutions that have a leverage ratio that exceeds 9 percent or are within the grace period and have elected to adopt the community bank leverage ratio (CBLR) framework.

**Qualifying Criteria for Using the CBLR Framework\***

- 32. Total assets (Schedule RC, item 12) (must be less than \$10 billion).....
- 33. Trading assets and trading liabilities (Schedule RC, sum of items 5 and 15). Report as a dollar amount in Column A and as a percentage of total assets (item 32 above) (5% limit) in Column B.....
- 34. Off-balance sheet exposures:
  - a. Unused portion of conditionally cancellable commitments.....
  - b. Securities lent and borrowed (Schedule RC-L, sum of items 6.a and 6.b).....
  - c. Other off-balance sheet exposures.....
  - d. Total off-balance sheet exposures (sum of items 34.a through 34.c). Report as a dollar amount in Column A and as a percentage of total assets (item 32 above) (25% limit) in Column B.....

| Column A |        | Column B |            |
|----------|--------|----------|------------|
| RCOA     | Amount | RCOA     | Percentage |
| 2170     |        |          |            |
|          |        |          |            |
| XXX1     |        | XXX2     |            |
|          |        |          |            |
| RCFA     |        |          |            |
| XXX3     |        |          |            |
|          |        |          |            |
| XXX4     |        |          |            |
| XXX5     |        |          |            |
|          |        |          |            |
| XXX5     |        | XXX6     |            |

→ This proposed new section of Schedule RC-R, Part I, would collect applicable information for the qualifying criteria.

\*Report each ratio and criterion as a percentage, rounded to four decimal places, e.g., 12.3456.

# Proposed CBLR Call Report Revisions (cont'd)

*Items 35 through 38.c are to be completed only by qualifying institutions that have a leverage ratio that exceeds 9 percent or are within the grace period and have elected to adopt the CBLR framework.*

- 35. Unconditionally cancellable commitments.....
- 36. Investments in the tier 2 capital of unconsolidated financial institutions.....
- 37. Allocated transfer risk reserve.....
- 38. Amount of allowances for credit losses on purchased credit-deteriorated assets:<sup>2</sup>
  - a. Loans and leases held for investment.....
  - b. Held-to-maturity debt securities.....
  - c. Other financial assets measured at amortized cost.....

| RCN  | Amount |
|------|--------|
| S540 |        |
| XXX7 |        |
| 3128 |        |
|      |        |
| JJ30 |        |
| JJ31 |        |
| JJ32 |        |

→ The last proposed section would be added to Schedule RC-R, Part I, in order to track CECL impacts as well as CBLR specific issues.

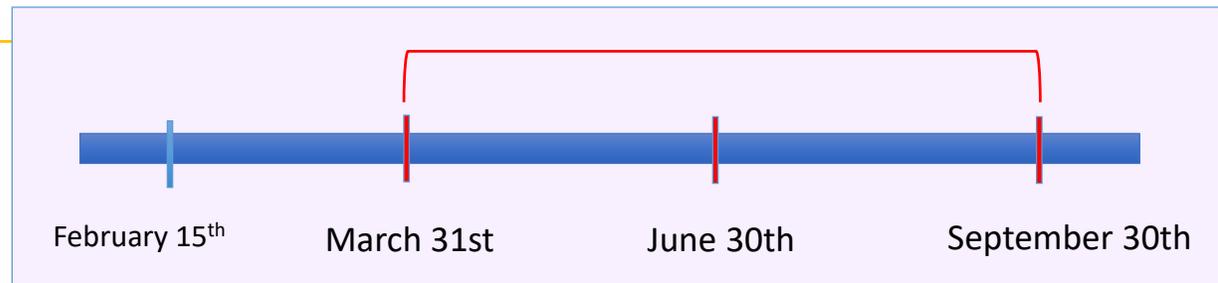
<sup>2</sup>Items 38.a through 38.c should be completed only by institutions that have adopted ASU 2016-13.

# CBLR Framework – Grace Period

## Two quarter grace period

- If a CBLR banking organization fails to satisfy one or more of the qualifying criteria but has a leverage ratio of  $> 8.0\%$ , the banking organization can continue in the CBLR framework and be considered to have met “well capitalized” ratio requirements for a grace period of up to two quarters.
- As long as the banking organization is able to return to compliance with all the qualifying criteria within two quarters, it will continue to be deemed to meet the “well capitalized” ratio requirements.
- A banking organization with a leverage ratio  $\leq 8.0\%$  must comply with the generally applicable capital rule and complete the relevant reporting requirements on its Call Report or Form FR Y-9C, as applicable.

No longer qualifies if a CBLR bank fails to meet one of the qualifying criteria.  
e.g. CBLR $<9\%$  or OBS exposures , item 34,  
 $>25\%$  of total consolidated assets



# Optionality of the CBLR framework

- A qualifying banking organization can opt into the CBLR framework at any time by completing the associated reporting data items that are required on its Call Report or Form FR Y-9C, as applicable. The banking organization becomes subject to the CBLR framework when it makes an election.
- CBLR banking organizations may opt out of the framework and become subject to the generally applicable capital rule by:
  - Completing the relevant reporting requirements on its Call Report or Form FR Y-9C, as applicable.
  - Providing its risk-based capital ratios under the generally applicable capital rule to its appropriate regulators between reporting periods, when requested.
- After a banking organization opts out of the CBLR framework it can subsequently opt back in if it meets the qualifying criteria.



# Exclusion of Certain Reciprocal Deposits from Being Treated as Brokered Deposits

Robert Storch (FDIC)

# Reciprocal Deposits

- Section 202 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act* addresses the reporting of certain reciprocal deposits
- “Reciprocal deposits” means “deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks”
- Under Section 202, insured depository institutions (IDIs) no longer have to report certain reciprocal deposits as brokered deposits if:
  - The IDI accepting the brokered deposits is an “agent institution,” as defined,
  - The amount of such “excepted” reciprocal deposits does not exceed a capped amount, and
  - The reciprocal deposits have not come from a deposit broker

# Reciprocal Deposits

- Reciprocal deposits exceeding “excepted” amounts continue to be reported as brokered deposits
- An “agent institution” is an IDI that places a deposit through a network at other IDIs if the IDI
  - Is well capitalized and, at its most recent examination, had a composite condition of outstanding or good; or
  - Has obtained a brokered deposit waiver from the FDIC (if adequately capitalized); or
  - Does not receive reciprocal deposits that bring its total reciprocal deposits to an amount greater than the average of the total reciprocal deposits held at the end of each of the four quarters preceding the quarter in which IDI was found not to be outstanding or good or was not well capitalized

# Reciprocal Deposits

- Agent institution may “except” qualifying reciprocal deposits from reporting as brokered deposits up to the applicable cap
- **General Cap:** IDI that meets either of first two conditions in agent institution definition may “except” qualifying reciprocal deposits up to a general cap of the lesser of 20% of the institution’s total liabilities or \$5 billion
- **Special Cap:** IDI that is not well capitalized (and does not have a waiver) or is not in outstanding or good condition may “except” qualifying reciprocal deposits up to a Special Cap equal to the lesser of
  - The General Cap, or
  - Average reciprocal deposits held at quarter-end during the last four quarters preceding the quarter the IDI fell below well capitalized or well rated

# Reciprocal Deposits

|  | General Cap | Lesser of General Cap or Special Cap |
|--|-------------|--------------------------------------|
| Well rated (WR) and well capitalized (WC)                | X*          |                                      |
| WR, <u>not</u> WC;<br>Has a Brokered Deposit (BD) Waiver | X*          |                                      |
| WR, <u>not</u> WC;<br>No BD Waiver                       |             | X**                                  |
| Not WR, is WC  |             | X**                                  |
| Not WR and not WC  |             | X**                                  |

\* Any amount of reciprocal deposits over the General Cap must be reported as brokered deposits; amounts up to the General Cap should not be reported as brokered deposits.

\*\* Reciprocal deposits received over the Special Cap cause the IDI to lose “agent institution” status and all reciprocal deposits must be reported as brokered deposits.

# Reciprocal Deposits

- Total reciprocal deposits reported in Memorandum item 1.g of Schedule RC-E, Deposit Liabilities

| Dollar Amounts in Thousands  | RCON | Amount |           |
|--|------|--------|-----------|
| 1. Selected components of total deposits (i.e., sum of item 7, columns A and C):   |      |        |           |
| <i>Memorandum item 1.a is to be completed semiannually in the June and December reports only.</i>  |      |        |           |
| a. Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts .....   | 6835 |        | M.1.a.    |
| b. Total brokered deposits .....   | 2365 |        | M.1.b.    |
| c. Brokered deposits of \$250,000 or less (fully insured brokered deposits) <sup>2</sup> .....   | HK05 |        | M.1.c.    |
| d. Maturity data for brokered deposits:  |      |        |           |
| (1) Brokered deposits of \$250,000 or less with a remaining maturity of one year or less<br>(included in Memorandum item 1.c above) .....  | HK06 |        | M.1.d.(1) |
| (2) Not applicable   |      |        |           |
| (3) Brokered deposits of more than \$250,000 with a remaining maturity of one year or<br>less (included in Memorandum item 1.b above) .....  | K220 |        | M.1.d.(3) |
| e. Preferred deposits (uninsured deposits of states and political subdivisions in the U.S.<br>reported in item 3 above which are secured or collateralized as required under state law)<br><i>(to be completed for the December report only)</i> ..... | 5590 |        | M.1.e.    |
| f. Estimated amount of deposits obtained through the use of deposit listing services<br>that are not brokered deposits .....   | K223 |        | M.1.f.    |
| g. Total reciprocal deposits.....  | JH83 |        | M.1.g.    |



# Reciprocal Deposits

- Brokered reciprocal deposits reported in item 9 of Schedule RC-O, Other Data for Deposit Insurance Assessments (and in item 9.a, if applicable)

|   |      |  |      |
|---|------|--|------|
| 9. <b>Brokered reciprocal deposits</b> (included in Schedule RC-E, Memorandum item 1.b).....  | G803 |  | 9.   |
| <i>Item 9.a is to be completed on a fully consolidated basis by all institutions that own another insured depository institution.</i> |      |  |      |
| a. Fully consolidated <b>brokered reciprocal deposits</b> .....   | L190 |  | 9.a. |

- Two examples of the calculation of the special cap are presented after the Call Report instructions for Schedule RC-E, Memorandum item 7
  - Examples describe the amounts to be reported as “Total reciprocal deposits” in Schedule RC-E, Memorandum item 1.g
  - Examples also explain when reciprocal deposits may also have to be reported as brokered deposits in Schedule RC-E, Memorandum items 1.b, 1.c, and 1.d, and as brokered reciprocal deposits in Schedule RC-O, item 9 (and item 9.a, if applicable)



# New Accounting Standard on Leases

Robert Storch (FDIC)

# New Accounting Standard on Leases

- FASB issued Accounting Standards Update (ASU) No. 2016-02, “Leases,” in February 2016
  - The ASU added Topic 842, Leases, to the Accounting Standards Codification (ASC)
  - Topic 842, as amended by certain ASUs issued since Feb. 2016, replaces existing U.S. GAAP on leases (ASC Topic 840) upon an institution’s adoption of Topic 842
- Topic 842 is currently in effect for institutions that are “public business entities” (PBEs), as defined in U.S. GAAP
- For institutions that are not PBEs, Topic 842 is effective for fiscal years beginning after Dec. 15, 2020, and interim reporting periods within fiscal years beginning after Dec. 15, 2021
  - For calendar year non-PBEs, leases must first be reported in accordance with Topic 842 in the Call Report for Dec. 31, 2021, unless Topic 842 is adopted earlier

# New Accounting Standard on Leases

- Under ASC Topic 840, a lessee recognizes capital leases on the balance sheet, but not operating leases
- Topic 842 requires a lessee to recognize all leases on the balance sheet
  - However, a lessee may elect to exempt leases with a term of one year or less at their commencement date from on-balance sheet recognition
- Under Topic 842, a lessee must record a right-of-use (ROU) asset and a lease liability on the balance sheet for both operating leases and finance leases (previously labeled capital leases)
- Lessee institutions will need to analyze their existing leases to determine the accounting entries to record as they prepare to adopt Topic 842
- Topic 842 does not fundamentally change lease accounting for lessors

# New Accounting Standard on Leases

- An institution that has adopted Topic 842 should report:
  - ROU assets in Schedule RC, Balance Sheet, item 6, “Premises and fixed assets”
  - Lease liabilities for finance leases in Schedule RC-M, items 5.b, “Other borrowings,” and 10.b, “Amount of ‘Other borrowings’ that are secured,” and Schedule RC, item 16, “Other borrowed money”
- At present, an institution that has adopted Topic 842 is permitted to report lease liabilities for operating leases in either
  - Schedule RC-M, items 5.b and 10.b, and Schedule RC, item 16, or
  - Schedule RC-G, item 4, “All other liabilities,” and Schedule RC, item 20, “Other liabilities”
- Agencies have proposed to require operating lease liabilities to be reported in Schedule RC-G, item 4, and Schedule RC, item 20, effective March 31, 2020

# New Accounting Standard on Leases

- Agencies also have proposed for Mar. 31, 2020, to add a new subitem 4.e to Schedule RC-G, with the preprinted caption “Operating lease liabilities,” to facilitate the reporting of these liabilities when the amount is greater than \$100,000 and exceeds 25% of “All other liabilities” reported in item 4

|  |  |      |  |  |      |
|--|--|------|--|--|------|
| 4. All other liabilities   |  |      |  |  |      |
| (itemize and describe amounts greater than \$100,000 that exceed 25 percent of this item)..... |  | 2938 |  |  | 4.   |
| a.   | Accounts payable .....   | 3066 |  |  | 4.a. |
| b.   | Deferred compensation liabilities .....  | C011 |  |  | 4.b. |
| c.   | Dividends declared but not yet payable .....                                   | 2932 |  |  | 4.c. |
| d.   | Derivatives with a negative fair value held for purposes other than trading .. | C012 |  |  | 4.d. |
| f.   | TEXT 3552  | 3552 |  |  | 4.f. |
| g.   | TEXT 3553  | 3553 |  |  | 4.g. |
| h.   | TEXT 3554  | 3554 |  |  | 4.h. |
| 5. Total (sum of items 1 through 4) (must equal Schedule RC, item 20) .....                    |  | 2930 |  |  | 5.   |
| e. Operating lease liabilities.....  |  | XXXX |  |  | 4.e. |



# Questions and Answers



# Resources

## Section 205 of the EGRRCPA\*

- [Section 205 Final Rule - Federal Register Notice June 21, 2019](https://www.govinfo.gov/content/pkg/FR-2019-06-21/pdf/2019-12985.pdf)  
<https://www.govinfo.gov/content/pkg/FR-2019-06-21/pdf/2019-12985.pdf>
- [FFIEC 051 Redlined Report Form – EGRRCPA](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20190624_f_draft.pdf)  
[https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC051\\_20190624\\_f\\_draft.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20190624_f_draft.pdf)
- [FFIEC 051 Draft Instructions – EGRRCPA](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20190624_i_draft.pdf)  
[https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC051\\_20190624\\_i\\_draft.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20190624_i_draft.pdf)

\* Revisions to the Call Report were effective as of the September 30, 2019, report date. The Call Report forms and instruction books were updated at that time.

# Resources (cont'd)

## New Accounting Standard on Credit Losses\*

- [Final 30-Day Federal Register Notice – Revisions for the New Accounting Standard on Credit Losses](https://www.govinfo.gov/content/pkg/FR-2019-02-14/pdf/2019-02330.pdf)  
<https://www.govinfo.gov/content/pkg/FR-2019-02-14/pdf/2019-02330.pdf>
- [FFIEC 051 Redlined Report Form - CECL](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20190215_f_draft.pdf)  
[https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC051\\_20190215\\_f\\_draft.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20190215_f_draft.pdf)
- [FFIEC 051 Draft Instructions – CECL](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20190215_i_draft.pdf)  
[https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC051\\_20190215\\_i\\_draft.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20190215_i_draft.pdf)

\* Revisions to the Call Report were effective as of the March 31, 2019, report date. The Call Report forms and instruction books were updated at that time.

# Resources (cont'd)

## Revisions for Capital-Related Changes and New Accounting Standard on Leases

- [Initial 60-Day Federal Register Notice - Revisions for Capital-Related Changes and New Accounting Standard on Leases](https://www.govinfo.gov/content/pkg/FR-2019-10-04/pdf/2019-21659.pdf)  
<https://www.govinfo.gov/content/pkg/FR-2019-10-04/pdf/2019-21659.pdf>
- [FFIEC 051 Redlined Report Form – Revisions for Capital-Related Changes and New Accounting Standard on Leases](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20191022_f_draft.pdf)  
[https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC051\\_20191022\\_f\\_draft.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20191022_f_draft.pdf)
- [FFIEC 051 Draft Instructions - Revisions for Capital-Related Changes and New Accounting Standard on Leases](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20191203_i_draft.pdf)  
[https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC051\\_20191203\\_i\\_draft.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC051_20191203_i_draft.pdf)

# Resources (cont'd)

## Revisions for Capital-Related Changes and New Accounting Standard on Leases

- [September 2019 Call Report Supplemental Instructions - Additional Information on New Accounting Standard on Leases](https://www.ffiec.gov/pdf/FFIEC_forms/919Supplemental%20Instructions%2093019%20Final.pdf)  
[https://www.ffiec.gov/pdf/FFIEC\\_forms/919Supplemental%20Instructions%2093019%20Final.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/919Supplemental%20Instructions%2093019%20Final.pdf)
- [Federal Register Notice for Adoption of Capital Simplifications Final Rule](https://www.govinfo.gov/content/pkg/FR-2019-07-22/pdf/2019-15131.pdf)  
<https://www.govinfo.gov/content/pkg/FR-2019-07-22/pdf/2019-15131.pdf>
- [Federal Register Notice for Final Rule for the Community Bank Leverage Ratio Framework](https://www.govinfo.gov/content/pkg/FR-2019-11-13/pdf/2019-23472.pdf)  
<https://www.govinfo.gov/content/pkg/FR-2019-11-13/pdf/2019-23472.pdf>