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# **FFIEC 031 and 041 Call Report**

**Proposed Reporting Changes to  
the Regulatory Capital Components and Ratios Portion of  
Schedule RC-R, including Proposed Instructions**

**Proposed Effective Date:  
March 31, 2014, for Advanced Approaches Institutions  
March 31, 2015, for All Other Institutions**

**This draft reflects the Call Report revisions proposed in the banking agencies' initial Paperwork Reduction Act Federal Register notice scheduled to be published on August 12, 2013.**

**August 9, 2013**

**Note Regarding the Banking Agencies' Proposed Revisions to Schedule RC-R, Regulatory Capital:**

- **Effective March 31, 2014:**
  - Existing items 1 through 33 of Schedule RC-R would be designated Part I.A – Regulatory Capital Components and Ratios. All institutions except advanced approaches institutions would complete Schedule RC-R, Part I.A, in their Call Reports for March 31 through December 31, 2014. No changes are proposed to Part I.A for 2014.
  - New Part I.B – Regulatory Capital Components and Ratios would be added to Schedule RC-R. The remainder of this document contains proposed Part I.B and its proposed instructions. Advanced approaches institutions would complete Schedule RC-R, Part I.B, in their Call Reports for March 31 through December 31, 2014.
  - Existing items 34 through 62 and Memorandum items 1 and 2 of Schedule RC-R would be designated Part II – Risk-Weighted Assets. All institutions would complete Schedule RC-R, Part II, in their Call Reports for March 31 through December 31, 2014. No changes are proposed to Part II for 2014.
  
- **Effective March 31, 2015:**
  - Part I.A – Regulatory Capital Components and Ratios would be removed from Schedule RC-R.
  - Part I.B – Regulatory Capital Components and Ratios would be designated Part I of Schedule RC-R and would be completed by all institutions beginning with the Call Report for March 31, 2015.
  - Part II – Risk-Weighted Assets of Schedule RC-R would be replaced with a revised version of Part II that would incorporate the provisions of the banking agencies' revised regulatory capital rules. This revised version of Part II would be completed by all institutions beginning with the Call Report for March 31, 2015. The proposed revisions to Part II will be the subject of a separate reporting proposal from the banking agencies at a later date.

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## Schedule RC-R, Part I.B – Regulatory Capital Components and Ratios

**FFIEC 031 and 041**

Advanced approaches institutions must complete this Schedule RC-R, Part I.B, starting on March 31, 2014.

Starting on March 31, 2015, all other institutions also must complete this Part I.B. On that date, Schedule RC-R, Part I.A, will be removed and Part I.B will be designated Part I.

Part I.B is to be completed on a consolidated basis.

Dollar Amounts in Thousands

	RCxx	Bil	Mil	Thou
<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.....	xxxx			
2. Retained earnings.....	xxxx			
3. Accumulated other comprehensive income (AOCI).....	xxxx			
a. AOCI opt-out election (enter "1" for Yes; enter "0" for No.).....	0=No 1=Yes	RCxx xxxx		
4. Common equity tier 1 minority interest includable in common equity tier 1 capital	xxxx			
5. Common equity tier 1 capital before adjustments and deductions (sum of items 1 through 4).....	xxxx			
<b>Common equity tier 1 capital: adjustments and deductions</b>				
6. LESS: Goodwill net of associated deferred tax liabilities (DTLs).....	xxxx			
7. LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs.....	xxxx			
8. LESS: Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs.....	xxxx			
9. AOCI-related adjustments (if entered "1" for Yes in item 3.a, complete only items 9.a through 9.e; if entered "0" for No in item 3.a, complete only item 9.f):				
a. LESS: Net unrealized gains (losses) on available-for-sale securities (if a gain, report as a positive value; if a loss, report as a negative value).....	xxxx			
b. LESS: Net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures (report loss as a positive value).....	xxxx			
c. LESS: Accumulated net gains (losses) on cash flow hedges (if a gain, report as a positive value; if a loss, report as a negative value).....	xxxx			
d. LESS: Amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans (if a gain, report as a positive value; if a loss, report as a negative value).....	xxxx			
e. LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI (if a gain, report as a positive value; if a loss, report as a negative value).....	xxxx			
f. To be completed only by institutions that entered "0" for No in item 3.a: LESS: Accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable tax effects, that relate to the hedging of items that are not recognized at fair value on the balance sheet (if a gain, report as a positive value; if a loss, report as a negative value).....	xxxx			
10. Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:				



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- 33. LESS: Tier 2 capital deductions.....
- 34. a. **Tier 2 capital** (greater of item 32.a minus item 33, or zero).....
- b. (Advanced approaches institutions that exit parallel run only): Tier 2 capital (greater of item 32.b minus item 33 or zero).....

XXXX			
XXXX			
XXXX			

**Total capital**

- 35. a. **Total capital** (sum of items 26 and 34.a).....
- b. (Advanced approaches institutions that exit parallel run only): Total capital (sum of items 26 and 34.b).....

XXXX			
XXXX			

**Total assets for the leverage ratio**

- 36. Average total consolidated assets.....
- 37. LESS: Deductions from common equity tier 1 capital and additional tier 1 capital (sum of items 6, 7, 8, and 10.b).....
- 38. LESS: Other deductions from (additions to) assets for leverage ratio purposes.....
- 39. **Total assets for the leverage ratio** (item 36 minus items 37 and 38).....

XXXX			
XXXX			
XXXX			

**Total risk-weighted assets**

- 40. a. **Total risk-weighted assets** (from Schedule RC-R, Part II, item 62).....
- b. (Advanced approaches institutions that exit parallel run only): Total risk-weighted assets using advanced approaches rules (from FFIEC 101 Schedule A, item 60).....

XXXX			
XXXX			

**Capital ratios**

- 41. Common equity tier 1 capital ratio (Column A: item 19 divided by item 40.a) (Advanced approaches institutions that exit parallel run only: Column B: item 19 divided by item 40.b).....
- 42. Tier 1 capital ratio (Column A: item 26 divided by item 40.a) (Advanced approaches institutions that exit parallel run only: Column B: item 26 divided by item 40.b).....
- 43. Total capital ratio (Column A: item 35.a divided by item 40.a) (Advanced approaches institutions that exit parallel run only: Column B: item 35.b divided by item 40.b).....
- 44. Tier 1 leverage ratio (Column A: item 26 divided by item 39) (Advanced approaches institutions that exit parallel run only: Column B: item 26 divided by item 39).....
- 45. Advanced approaches institutions only: Supplementary leverage ratio (from FFIEC 101 Schedule A, item 98).....

Column A		Column B	
RCxx	Percentage	RCxx	Percentage
XXXX	--.---	XXXX	--.---
XXXX	--.---	XXXX	--.---
XXXX	--.---	XXXX	--.---
XXXX	--.---	XXXX	--.---
		XXXX	--.---

**Capital buffer**

- 46. Institution-specific capital buffer necessary to avoid limitations on distributions and discretionary bonus payments
  - a. Capital conservation buffer.....
  - b. (Advanced approaches institutions that exit parallel run only): Total applicable capital buffer.....

RCxx	Percentage
XXXX	--.---
XXXX	--.---

Institutions must complete items 47 and 48 if the amount in item 46.a (or the lower of item 46.a or 46.b for an advanced approaches institution that has exited parallel run) is less than or equal to the applicable minimum capital conservation buffer:

- 47. Eligible retained income.....
- 48. Distributions and discretionary bonus payments during the quarter.....

RCxx	Bil	Mil	Thou
XXXX			
XXXX			

**SCHEDULE RC-R – REGULATORY CAPITAL**

**Part I.B. Regulatory Capital Components and Ratios**

**General Instructions for Part I.B**

The instructions for Schedule RC-R, Part I.B, should be read in conjunction with the revised regulatory capital rules issued by the reporting institution's primary federal supervisor.<sup>1</sup>

Advanced approaches institutions<sup>2</sup> must complete Schedule RC-R, Part 1.B, starting on March 31, 2014. These institutions should not complete Schedule RC-R, Part 1.A, for report dates in 2014.

Starting on March 31, 2015, all other institutions must complete Schedule RC-R, Part 1.B, using the instructions below for items 1 through 48. Institutions must complete the applicable items using the mandatory transition provisions which are included in certain items. Institutions, except for advanced approaches institutions, must apply the transition provisions starting with calendar year 2015.

*Note: Beginning with the March 31, 2015, reporting date, Schedule RC-R, Part 1.B, will replace Schedule RC-R, Part 1.A, and it will be designated as Schedule RC-R, Part I.*

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<sup>1</sup> See the revised regulatory capital rules at: <http://www.federalreserve.gov/bcreg20130702a.pdf> (Board); <http://www.occ.gov/news-issuances/news-releases/2013/2013-110a.pdf> (OCC); [http://www.fdic.gov/news/board/2013/2013-07-09\\_notice\\_dis\\_a\\_res.pdf](http://www.fdic.gov/news/board/2013/2013-07-09_notice_dis_a_res.pdf) (FDIC).

<sup>2</sup> An advanced approaches banking organization as defined in the federal supervisor's revised capital rules (i) has consolidated total assets (excluding assets held by an insurance underwriting subsidiary) on its most recent year-end regulatory report equal to \$250 billion or more; (ii) has consolidated total on-balance sheet foreign exposure on its most recent year-end regulatory report equal to \$10 billion or more (excluding exposures held by an insurance underwriting subsidiary); (iii) is a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 325 (FDIC) to calculate its total risk-weighted assets; (iv) is a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to 12 CFR part 217 to calculate its total risk-weighted assets; or (v) elects to use the advanced approaches to calculate its total risk-weighted assets.

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## Item Instructions

### Item No. Caption and Instructions

#### Common Equity Tier 1 Capital

**1** **Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares.** Report the sum of Schedule RC, items 24 and 25, less item 26.c, as follows:

- (1) Common stock: Report the amount of common stock reported in Schedule RC, item 24, provided it meets the criteria for common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Include capital instruments issued by mutual banking organizations that meet the criteria for common equity tier 1 capital.
- (2) PLUS: Related surplus: Adjust the amount reported in Schedule RC, item 25 as follows: include the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date; exclude adjustments arising from treasury stock transactions.
- (3) LESS: Treasury stock, unearned ESOP shares, and any other contra-equity components: Report the amount of contra-equity components reported in Schedule RC, item 26.c.

**2** **Retained earnings.** Report the amount of the institution's retained earnings as reported in Schedule RC, item 26.a.

**3** **Accumulated other comprehensive income (AOCI).** Report the amount of AOCI as reported under generally accepted accounting principles (GAAP) in the U.S. that is included in Schedule RC, item 26.b, subject to the transition provisions described below, if applicable.

**3.a** **AOCI opt-out election.**

(i) *All institutions, except advanced approaches institutions*

An institution that is not an advanced approaches institution may make a one-time election to become subject to the AOCI-related adjustments in Schedule RC-R, items 9.a through 9.e. That is, such an institution may opt-out of the requirement to include most components of AOCI in common equity tier 1 capital (with the exception of accumulated net gains and losses on cash flow hedges related to items that are not recognized at fair value on the balance sheet). An institution that makes an AOCI opt-out election must enter "1" for "Yes" in item 3.a. There are no transition provisions applicable to reporting Schedule RC-R, item 3, if an institution makes an AOCI opt-out election.

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An institution (except an advanced approaches institution) must make its AOCI opt-out election on the institution's March 31, 2015, Call Report. For an institution that comes into existence after March 31, 2015, the AOCI opt-out election must be made on the institution's first Call Report. Each of the institution's depository institution subsidiaries, if any, must elect the same option as the institution. With prior notice to its primary federal supervisor, an institution resulting from a merger, acquisition, or purchase transaction may make a new AOCI opt-out election, as described in section 22(b)(2) of the revised regulatory capital rules.

***(ii) Institutions that do not make an AOCI opt-out election and all advanced approaches institutions:***

An institution that does not make an AOCI opt-out election and enters "0" for "No" in item 3.a, and all advanced approaches institutions are subject to the AOCI-related adjustment in Schedule RC-R, item 9.f, and must report "No" in item 3.a. In addition, these institutions must report Schedule RC-R, item 3, subject to the following transition provisions:

***Transition provisions:*** report AOCI adjusted for the transition AOCI adjustment amount in Schedule RC-R, item 3, as follows:

- (i) Determine the aggregate amount of the following items:
  - (1) Unrealized gains on available-for-sale equity securities, plus
  - (2) Net unrealized gains (losses) on available-for-sale debt securities, plus
  - (3) Any amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans (excluding, at the reporting institution's option, the portion relating to pension assets deducted in Schedule RC-R, item 10), plus
  - (4) Accumulated net gains (losses) on cash flow hedges included in AOCI related to items that are reported on the balance sheet at fair value, plus
  - (5) Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.
- (ii) Multiply the amount calculated in step (i) by the appropriate percentage in Table 1 below. This amount is the calendar-year transition AOCI adjustment amount.
- (iii) Report in Schedule RC-R, item 3, the amount of AOCI reported in Schedule RC, item 26.b, minus the calendar-year transition AOCI adjustment amount calculated in step (ii).

**Table 1—Percentage of the transition AOCI adjustment amount**

Calendar year	Percentage of the transition AOCI adjustment amount to be applied to common equity tier 1 capital
2014	80
2015	60
2016	40
2017	20

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2018 and thereafter	0
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**4 Common equity tier 1 minority interest includable in common equity tier 1 capital.**

Report the aggregate amount of common equity tier 1 minority interest, calculated as described below. Common equity tier 1 minority interest is the portion of equity in a reporting institution’s subsidiary not attributable, directly or indirectly, to the parent institution. Note that a bank may only include common equity tier 1 minority interest if: (a) the subsidiary is a depository institution or a foreign bank; and (b) the capital instruments issued by the subsidiary meet all of the criteria for common equity tier 1 capital (qualifying common equity tier 1 capital instruments).

**Example and a worksheet calculation:** Calculate the minority interest includable at the reporting institution level as follows:

*Assumptions:*

- Risk-weighted assets of the consolidated subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary (\$1,000);
- The subsidiary’s qualifying common equity tier 1 capital is \$80;
- The subsidiary’s qualifying common equity tier 1 minority interest (that is, owned by minority shareholders) is \$24.

(1)	Determine the risk-weighted assets of the subsidiary using the risk-based capital framework applicable to that subsidiary.	<i>\$1,000</i>
(2)	Determine the risk-weighted assets of the institution that relate to the subsidiary depository institution. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	<i>\$1,000</i>
(3)	Determine the lower of (1) or (2), and multiply that amount by 7.0%. <sup>3</sup>	<i>\$1,000 x 7% = \$70</i>
(4)	Determine the dollar amount of the subsidiary’s qualifying common equity tier 1 capital. If this amount is less than step (3), include this amount in Schedule RC-R, item 4, as part of the common equity tier 1 minority interest includable at the bank level in Item 4. Otherwise, continue to step (5).	<i>\$80</i>
(5)	Subtract the amount in step (3) from the amount in step (4). This is the “surplus common equity tier 1 minority capital of the subsidiary.”	<i>\$80 - \$70 = \$10</i>
(6)	Determine the percent of the subsidiary’s qualifying common equity tier 1 minority interest owned by third parties (the minority shareholders).	<i>\$24/\$80 = 30%</i>
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the “surplus common equity tier 1 minority interest of the subsidiary.”	<i>30% x \$10 = \$3.30, which</i>

<sup>3</sup> The percentage multiplier in step (3) is the capital ratio necessary for the depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches institutions must adjust this percentage to account for all the applicable buffers.

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		<i>rounds to \$3</i>
(8)	Subtract the amount in step (7) from the subsidiary's qualifying common equity tier 1 minority interest.	$\$24 - \$3 =$ $\$21$
(9)	This is the "common equity tier 1 minority interest includable at the bank level" to be included in Schedule RC-R, item 4, for this subsidiary.	$\$21$

**Transition provisions for surplus minority interest and non-qualifying minority interest:**

**a. Surplus minority interest:**

An institution may include in common equity tier 1 capital, tier 1 capital, or total capital the percentage of the common equity tier 1 minority interest, tier 1 minority interest and total capital minority interest outstanding as of January 1, 2014, that exceeds any common equity tier 1 minority interest, tier 1 minority interest or total capital minority interest includable under section 21 of the revised regulatory capital rules (surplus minority interest) as follows:

- (i) Determine the amounts of outstanding surplus minority interest (for the case of common equity tier 1, tier 1, and total capital).
- (ii) Multiply the amounts in (i) it by the appropriate percentage in Table 2 below.
- (iii) Include the amounts in (ii) in the corresponding line items (that is, Schedule RC-R, item 4, item 22, or item 29).

In the example above, the institution has \$10 of surplus common equity tier 1 minority interest as of January 1, 2014. Therefore, it may include \$8 (that is, \$10 multiplied by 80%) in Schedule RC-R, item 4, during calendar year 2014; \$6 during calendar year 2015; \$4 during calendar year 2016; \$2 during calendar year 2017; and \$0 starting on January 1, 2018.

**b. Non-qualifying minority interest:**

An institution may include in tier 1 capital or total capital the percentage of the tier 1 minority interest and total capital minority interest outstanding as of January 1, 2014, that does not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the revised regulatory capital rules (non-qualifying minority interest). The institution must phase-out non-qualifying minority interest in accordance with Table 2, using the following steps for each qualifying subsidiary:

- (i) Determine the amounts of the outstanding non-qualifying minority interest (in the form of additional tier 1 and tier 2 capital).
- (ii) Multiply the amounts in (i) by the appropriate percentage in Table 2 below.
- (iii) Include the amounts in (ii) in the corresponding line item (that is, Schedule RC-R, item 22 or item 29).

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For example, if an institution has \$10 of non-qualifying minority interest that previously qualified as tier 1 capital, it may include \$8 (that is, \$10 multiplied by 80%) during calendar year 2014, \$6 during calendar year 2015, \$4 during calendar year 2016, \$2 during calendar year 2017 and \$0 starting in January 1, 2018.

**Table 2—Percentage of the amount of surplus or non-qualifying minority interest includable in regulatory capital during transition period**

Calendar year	Percentage of the amount of surplus or non-qualifying minority interest that can be included in regulatory capital during the transition period
2014	80
2015	60
2016	40
2017	20
2018 and thereafter	0

- 5 **Common equity tier 1 capital before adjustments and deductions.** Report the sum of Schedule RC-R, items 1, 2, 3, and 4.

### **Common equity tier 1 capital: adjustments and deductions**

*Note:* As described in section 22 of the revised regulatory capital rules, netting of deferred tax liabilities (DTLs) against assets that are subject to deduction is permitted if the following conditions are met:

- (i) The DTL is associated with the asset;
- (ii) The DTL would be extinguished if the associated asset becomes impaired or is derecognized under GAAP; and
- (iii) A DTL can only be netted against a single asset.

The amount of deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and of DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks, net of any related valuation allowances, may be offset by DTLs (that have not been netted against assets subject to deduction) if the following conditions are met:

- (i) Only the DTAs and DTLs that relate to taxes levied by the same taxation authority and that are eligible for offsetting by that authority may be offset for purposes of this deduction.
- (ii) The amount of DTLs that the institution nets against DTAs that arise from operating loss and tax credit carryforwards, net of any related valuation allowances, and against DTAs arising from temporary differences that the institution could not realize through net operating loss carrybacks, net of any related valuation allowances, must be allocated in proportion to the amount of DTAs that arise from net operating loss and tax credit carryforwards (net of any related valuation allowances, but before any

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offsetting of DTLs) and of DTAs arising from temporary differences that the bank could not realize through net operating loss carrybacks (net of any related valuation allowances, but before any offsetting of DTLs), respectively.

An institution may offset DTLs embedded in the carrying value of a leveraged lease portfolio acquired in a business combination that are not recognized under GAAP against DTAs that are subject to section 22(b) of the revised regulatory capital rules in accordance with section 22(e).

Institutions must net DTLs against assets subject to deduction in a consistent manner from reporting period to reporting period. Institutions may change their DTL netting preference only after obtaining the prior written approval of the agency.

- 6** **LESS: Goodwill net of associated deferred tax liabilities (DTLs).** Report the amount of goodwill included in Schedule RC, item 10.a.

However, if the institution has a DTL that is specifically related to goodwill acquired in a taxable purchase business combination that it chooses to net against the goodwill, the amount of disallowed goodwill to be reported in this item should be reduced by the amount of the associated DTL.

If an institution has significant investments in the capital of unconsolidated financial institutions in the form of common stock, the institution should report in this item goodwill embedded in the valuation of a significant investment in the capital of an unconsolidated financial institution in the form of common stock (embedded goodwill). Such deduction of embedded goodwill would apply to investments accounted for under the equity method. Under GAAP, if there is a difference between the initial cost basis of the investment and the amount of underlying equity in the net assets of the investee, the resulting difference should be accounted for as if the investee were a consolidated subsidiary (which may include imputed goodwill).

There are no transition provisions for this item.

- 7** **LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs.** Report all intangible assets (other than goodwill and MSAs) net of associated DTLs, included in Schedule RC-M, items 2.b and 2.c, that do not qualify for inclusion in common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Generally, all purchased credit card relationships (PCCRs) and non-mortgage servicing rights, reported in Schedule RC-M, item 2.b, and all other identifiable intangibles, reported in Schedule RC-M, item 2.c, do not qualify for inclusion in common equity tier 1 capital and should be included in this item.

Further, if the institution has a DTL that is specifically related to an intangible asset (other than servicing assets and PCCRs) acquired in a nontaxable purchase business combination that it chooses to net against the intangible asset for regulatory capital

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purposes, the amount of disallowed intangibles to be reported in this item should be reduced by the amount of the associated DTL. However, a DTL that the institution chooses to net against the related intangible reported in this item may not also be netted against DTAs when the institution determines the amount of DTAs that are dependent upon future taxable income and calculates the maximum allowable amount of such DTAs for regulatory capital purposes.

For state member banks, if the amount reported for other identifiable intangible assets in Schedule RC-M, item 2.c, includes intangible assets that were recorded on the reporting bank's balance sheet on or before February 19, 1992, the remaining book value as of the report date of these intangible assets may be excluded from this item.

### **Transition provisions:**

- (i) Calculate the amount as described in the instructions for this item 7.
- (ii) Multiply the amount in (i) by the appropriate percentage in accordance with Table 3 below. Report the product in this item 7.
- (iii) Subtract (ii) from (i) to calculate the balance amount that must be risk weighted during the transition period.
- (iv) Multiply the amount in (iii) by 100 percent and report the risk-weighted assets as part of "other assets" in Schedule RC-R, Part 2.

**Table 3 – Deduction of intangible assets other than goodwill and MSAs during transition period**

Calendar year	Percentage of the deductions from common equity tier 1 capital
2014	20
2015	40
2016	60
2017	80
2018 and thereafter	100

For example, in calendar year 2014, an institution will deduct 20 percent of intangible assets (other than goodwill and MSAs), net of associated DTLs, from common equity tier 1 capital. The institution must apply a 100 percent risk weight to the remaining 80 percent of the intangible assets that are not deducted.

- 8** **LESS: Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs.** Report the amount of DTAs that arise from net operating loss and tax credit carryforwards, net of associated valuation allowances and net of associated DTLs.

### **Transition provisions:**

- (i) Determine the amount as described in the instructions for this item 8.
- (ii) Multiply the amount in (i) by the appropriate percent in column A of Table 4 below. Report this product in this item 8.

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- (iii) Multiply the amount in (i) by the appropriate percent in column B of Table 4 below. Report this product as part of Schedule RC-R, item 24, “Additional tier 1 capital deductions.”

**Table 4- Deductions for DTAs, gain-on-sale, defined benefit pension fund assets, changes in fair value of liabilities, and expected credit losses during the transition period**

Calendar year	Column A: Percentage of the adjustments applied to common equity tier 1 capital	Column B: Percentage of the adjustments applied to tier 1 capital
2014	20	80
2015	40	60
2016	60	40
2017	80	20
2018 and thereafter	100	0

- 9** **AOCI-related adjustments.** Institutions that entered “1” for Yes in Schedule RC-R, item 3.a, must complete Schedule RC-R, items 9.a through 9.e, only. Institutions that entered “0” for No in Schedule RC-R, item 3.a, must complete Schedule RC-R, item 9.f, only.
- 9.a** **LESS: Net unrealized gains (losses) on available-for-sale securities.** Report the amount of net unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes, that is included in Schedule RC, item 26.b, “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.
- 9.b** **LESS: Net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures.** Report as a positive value net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that is included in Schedule RC, item 26.b, “Accumulated other comprehensive income.”
- 9.c** **LESS: Accumulated net gains (losses) on cash flow hedges.** Report the amount of accumulated net gains (losses) on cash flow hedges that is included in Schedule RC, item 26.b, “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.
- 9.d** **LESS: Amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans.** Report the amounts recorded in AOCI and included in Schedule RC, item 26.b, “Accumulated other comprehensive income,” resulting from the initial and subsequent application of ASC Subtopic 715-20 (formerly

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FASB Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”) to defined benefit postretirement plans (an institution may exclude the portion relating to pension assets deducted in Schedule RC-R, item 10.b). If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

- 9.e **LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.** Report the amount of net unrealized gains (losses) that are not credit-related on held-to-maturity securities and are included in AOCI as reported in Schedule RC, item 26.b, “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

Include (i) the unamortized balance of the unrealized holding gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category and (ii) the unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”).

- 9.f **To be completed only by institutions that entered “0” for No in item 3.a:**

**LESS: Accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable tax effects, that relate to the hedging of items that are not recognized at fair value on the balance sheet.** Report the amount of accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable tax effects, that relate to the hedging of items not recognized at fair value on the balance sheet. If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

- 10 **Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:**

- 10.a **LESS: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk.** Report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in the institution’s own credit risk. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Advanced approaches institutions only: include the credit spread premium over the risk free rate for derivatives that are liabilities.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 8.

- 10.b **LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions.** Report the amount of all other deductions from (additions

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to) common equity tier 1 capital that are not included in Schedule RC-R, items 1 through 9, as described below.

**(1) After-tax gain-on-sale in connection with a securitization exposure.** Include any after-tax gain-on-sale in connection with a securitization exposure. Gain-on-sale means an increase in the equity capital of an institution resulting from a securitization (other than an increase in equity capital resulting from the institution's receipt of cash in connection with the securitization or reporting of a mortgage servicing asset on Schedule RC).

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 8.

**(2) Defined benefit pension fund assets, net of associated DTLs.** An institution that is not an insured depository institution should include any defined benefit pension fund asset, net of any associated DTLs.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 8.

**(3) Investments in the institution's own shares to the extent not excluded as part of treasury stock.** Include the institution's investments in (including any contractual obligation to purchase) its own common stock instruments, including direct, indirect, and synthetic exposures to such instruments (as defined in the revised regulatory capital rules), to the extent such instruments are not excluded as part of treasury stock, reported in Schedule RC-R, item 1.

If an institution already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital elements, it does not need to make such deduction twice.

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

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

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

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 11.

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**(4) Reciprocal cross-holdings in the capital of financial institutions in the form of common stock.** Include investments in the capital of other financial institutions (in the form of common stock) that the institution holds reciprocally (this is the corresponding deduction approach). Such reciprocal crossholdings may result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 11.

**(5) Equity investments in financial subsidiaries.** An institution must deduct the aggregate amount of its outstanding equity investments, including retained earnings, in its financial subsidiaries (as defined in 12 CFR 5.39 (OCC); 12 CFR 208.77 (Board); and 12 CFR 362.17 (FDIC)) and may not consolidate the assets and liabilities of a financial subsidiary with those of the parent institution. No other deduction is required for these investments in the capital instruments of financial subsidiaries.

**(6) Advanced approaches institutions only that exit parallel run.**<sup>4</sup> Include the amount of expected credit loss that exceeds its eligible credit reserves.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 8.

**11 LESS: Non-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.** An institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution.

Report the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that, in the aggregate, exceed the 10 percent threshold for non-significant investments, calculated as described below. The institution may apply associated DTLs to this deduction.

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

***Assumptions:***

- Assume that an institution has a total of \$200 in non-significant investments in the capital of unconsolidated financial institutions, of which \$100 is in common shares. For this example, all of the \$100 in common shares is in the common stock of a publicly traded financial institution.
- Assume the amount reported for item RC-R, item 5 (common equity tier 1 capital before adjustments and deductions (sum of items 1 through 4), is \$1,000.
- Assume the amounts reported on Schedule RC-R, items 6 through 9.e, are all \$0.

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<sup>4</sup> An advanced approaches institution that exits the parallel run is an advanced approaches institution that has completed the parallel run process and that has received notification from the primary federal supervisor pursuant to section 121(d) of subpart E of the revised regulatory capital rules.

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(1)	Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions (including in the form of common stock, additional tier 1, and tier 2 capital).	<i>\$200</i>
(2)	Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock.	<i>\$100</i>
(3)	Subtract from Schedule RC-R, item 5, the amounts in Schedule RC-R, items 6, 7, 8, 9, and 10.	<i>\$1,000 - \$0 = \$1,000</i>
(4)	Multiply the amount in step (3) by 10%. This is “the ten percent threshold for non-significant investments.”	<i>\$1,000 x 10% = \$100</i>
(5)	If (1) is greater than (4), subtract (4) from (1) and multiply the result by the ratio of (2) divided by (1). Report this amount in this item 11. If (1) is less than (4), enter zero in this item 11.	<i>Line (1) is greater than line (4); therefore \$200 - \$100 = \$100. Then (\$100 x 100/200) = \$50 Report \$50 in this item 11.</i>
(6)	Assign the applicable risk weight to the amount of non-significant investments in the capital of unconsolidated financial institutions that does not exceed the ten percent threshold for non-significant investments.	<i>Of the \$100 in common shares, \$50 are deducted in this item 11. The remaining \$50 needs to be included in risk-weighted assets* in Schedule RC-R, Part II.</i>

\* In this case, \$50 x 300% risk weight for publicly traded common shares = \$150 in risk-weighted assets for the portion of common shares in an unconsolidated financial institution that are not deducted.

**Transition provisions for investments in capital instruments:**

- (i) Calculate the amount as described in the instructions for this item 11.
- (ii) Multiply the amount in (i) by the appropriate percent in Table 5 below. Report this product in this item 11.
- (iii) Subtract (ii) from (i); assign it the applicable risk weight; and report it in Schedule RC-R, Part II, as part of risk-weighted assets.

**Table 5—Deductions related to investments in capital instruments**

Calendar year	Percentage of the deduction
2014	20
2015	40
2016	60
2017	80

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2018 and thereafter	100
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- 12 **Subtotal.** Report the amount in Schedule RC-R, item 5, less the amounts in Schedule RC-R, items 6 through 11.

This subtotal will be used in Schedule RC-R, items 13 through 16, to calculate the amounts of items subject to the 10 and 15 percent common equity tier 1 capital threshold deductions (threshold items):

- i. Significant investments in the capital of unconsolidated financial institutions in the form of common stock,
- ii. Mortgage servicing assets (MSAs) net of associated DTLs; and
- iii. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks.

- 13 **LESS: Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.** An institution has a significant investment in the capital of an unconsolidated financial institution when it owns more than 10 percent of the issued and outstanding common shares of that institution.

Report the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent common equity tier 1 capital deduction threshold, calculated as follows:

- (1) Determine the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock.
- (2) If the amount in (1) is greater than 10 percent of Schedule RC-R, item 12, report the difference in this item 13.
- (3) If the amount in (2) is less than 10 percent of Schedule RC-R, item 12, report zero.

If the institution included embedded goodwill in Schedule RC-R, item 6, to avoid double counting, the institution may net such embedded goodwill already deducted against the exposure amount of the significant investment. For example, if an institution has deducted \$10 of goodwill embedded in a \$100 significant investment in the capital of an unconsolidated financial institution in the form of common stock, the institution would be allowed to net such embedded goodwill against the exposure amount of such significant investment (that is, the value of the investment would be \$90 for purposes of the calculation of the amount that would be subject to deduction).

**Transition provisions for items subject to the threshold deductions:**

- (i) Calculate the amount as described in the instructions for this item 13.
- (ii) Multiply the amount in (i) by the appropriate percent in Table 6 below. Report this product as this item amount. In addition:
- (iii) *From January 1, 2014, until January 1, 2018:* Subtract the amount in (ii) from the amount in (i); assign it a 100 percent risk weight; and report it in Schedule RC-R risk-weighted assets.

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- (iv) *Starting on January 1, 2018:* Subtract the amount in (ii) from the amount in (i); assign it a 250 percent risk weight; and report it in Schedule RC-R risk-weighted assets.

**Table 6—Transition provisions for items subject to the threshold deductions**

Calendar year	Percentage of the deduction
2014	20
2015	40
2016	60
2017	80
2018 and thereafter	100

- 14** **LESS: MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.** Report the amount of MSAs included in Schedule RC-M, item 2.a, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold as follows:

- (1) Take the amount of MSAs as reported in Schedule RC-M, item 2.a, net of associated DTLs.
- (2) If the amount in (1) is higher than 10 percent of Schedule RC-R, item 12, report the difference in this item 14.
- (3) If the amount in (1) is lower than 10 percent of Schedule RC-R, item 12, enter zero.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 13 (that is, use table 6 in Schedule RC-R, item 13).

- 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.**

- (1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution's ALLL).
- (2) If the amount in (1) is higher than 10 percent of Schedule RC-R, item 12, report the difference in this item 15.
- (3) If the amount in (1) is lower than 10 percent of Schedule RC-R, item 12, enter zero.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned to a 100 percent risk-weight category. For an institution that is a member of a consolidated group for tax purposes, the amount of DTAs that could be realized through net operating loss carrybacks may not exceed the amount that the institution could reasonably expect to have refunded by its parent holding company.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 13 (that is, use table 6 in item 13).

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**16** **LESS: Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock; 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.**

The aggregate amount of the threshold items (that is, significant investments in the capital of unconsolidated financial institutions in the form of common stock; 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) may not exceed 15 percent of the institution's common equity tier 1 capital, net of applicable adjustments and deductions (the 15 percent common equity tier 1 capital deduction threshold).

**Transition provisions:**

- A. *From January 1, 2014 until January 1, 2018*, calculate this item 16 as follows:
- (i) Calculate the aggregate amount of the threshold items before deductions:
    - a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock (Schedule RC-R, item 13, step 1);
    - b. MSAs (Schedule RC-R, item 14, step 1); and
    - c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowance and net of DTLs (Schedule RC-R, item 15, step 1).
  - (ii) Multiply the amount in Schedule RC-R, item 12 (Subtotal) by 15 percent. This is *the 15 percent common equity deduction threshold for transition purposes*.
  - (iii) Sum up the amounts reported in Schedule RC-R, items 13, 14, and 15.
  - (iv) Deduct (iii) from (i)
  - (v) Deduct (ii) from (iv)
  - (vi) Multiply the amount in (iv) by the percentage in Table 6, in Schedule RC-R, item 13. Report the resulting amount in this item 16.

- B. *Prior to January 1, 2018*, calculate this item 16 as follows:

***Example:***

*Assume the following balance sheet amounts prior to deduction of these items:*

- Common equity tier 1 capital subtotal amount reported in Schedule RC-R, item 12 = \$100
- Significant investments in the common shares of unconsolidated financial institutions = \$15.
- MSAs = \$7
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowance and net of DTLs = \$6
- Amounts of each item that exceed the 10% limit

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- Significant investments in the common shares of unconsolidated financial institutions: \$5 (reported in Schedule RC-R, item 13)
- MSAs = \$0 (reported in Schedule RC-R, item 14)
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowance and net of DTLs = \$0 (reported in Schedule RC-R, item 15).

*Calculation steps:*

- (i) Sum of the significant investments in the common shares of unconsolidated financial institutions, MSAs, and DTAs before deductions:  $\$15 + \$7 + \$6 = \$28$
- (ii) 15% of the amount from Schedule RC-R, item 12:  $15\% \times \$100 = \$15$
- (iii) Sum of the amounts reported in Schedule RC-R, items 13, 14, and 15: \$5
- (iv)  $\$28 - \$5 = \$23$  (which is the amount of these three items that remains after the 10% deductions are taken)
- (v)  $\$23 - \$15 = \$8$
- (vi)  $\$8 \times 40\%$  (amount that applies in calendar year 2015) = \$3.20
- Report \$3.20 in this item 16.

C. Starting on January 1, 2018, calculate this item 16 as follows:

**Example and a worksheet calculation:**

*Assumptions:*

- The amount reported in Schedule RC-R, item 12 is \$130 (This amount is common equity tier 1 after all deductions and adjustments, except for deduction of the threshold items).
- Assume the following balance sheet amounts prior to deduction of these items:
  - Significant investments in the common shares of unconsolidated financial institutions = \$10.
  - MSAs = \$20
  - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowance and net of DTLs = \$30.

(1)	<b>Aggregate amount of threshold items before deductions</b> Enter the sum of:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock (Schedule RC-R, item 13, step 1);	\$10
	b. MSAs (Schedule RC-R, item 14, step 1); and	\$20
	c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (Schedule RC-R, item 15, step 1).	\$30
	d. Total of a, b, and c:	\$60
(2)	<b>Sum of threshold items not deducted as a result of the 10 percent common equity tier 1 capital deduction</b>	

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	<b>threshold</b> Enter the sum of:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted (that is, the difference between the amount in step (1)(a) of this table and the amount deducted in Schedule RC-R, item 13)	<i>\$0 from Item 13, step 1. (because \$10 is less than 10% of \$130)</i>
	b. MSAs that are not deducted (that is, the difference between the amount in step (1)(b) of this table and the amount deducted in Schedule RC-R, item 14)	$\$20 - \$13 = \$7$
	c. 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 are not deducted (that is, the difference between the amount in step (1)(c) of this table and the amount deducted in Schedule RC-R, item 15)	$\$30 - \$13 = \$17$
	d. Total of a, b, and c	$\$7 + \$17 = \$24$
(3)	<b>The 15 percent common equity tier 1 capital deduction threshold</b> Calculate as follows:	
	a. Subtract the amount calculated in step (1.d) of this table from Schedule RC-R, item 12; b. Multiply the resulting amount by 17.65%	$(\$130 - \$60) \times 17.65\% = \$12.36$ <i>Rounds to \$12</i>
(4)	<b>Amount of threshold items that exceed the 15 percent common equity tier 1 capital deduction threshold</b> Report as follows:	
	a. If the amount in step (2.d) is greater than the amount in step (3), then subtract (3) from (2.d) and report this number in this item 16. (In addition, the institution must risk-weight the items that are not deducted at 250 percent in the risk-weighted asset section of this form.) b. If the amount in step (2.d) is less than the amount in step (3) amount, report zero in this item 16.	<i>The amount in step (2.d) (\$24) is greater than the amount in step 3 (\$12). Therefore: <math>\\$24 - \\$12 = \\$12</math></i>
(5)	<b>If the amount in step (4) is above zero, then pro-rate the threshold items as follows:</b>	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock: multiply (4.a) by the ratio of (1.a) over (1.d). b. MSAs net of associated DTAs: multiply (4.a) by the ratio of (1.b) over (1.d). c. DTAs arising from temporary differences that	a. $\$12 \times (10/60) = \$2$ b. $\$12 \times (20/60) = \$4$ c. $\$12 \times (30/60) = \$6$ .

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	could not be realized through net operating loss carrybacks: multiply (4.a) by the ratio of (1.c) over (1.d).	
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- 17 **LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.** Report the total amount of deductions related to reciprocal cross holdings, non-significant investments in the capital of unconsolidated financial institutions, and non-common stock significant investments in the capital of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital and tier 2 capital to cover these deductions in Schedule RC-R, items 24 and 33.
- 18 **Total adjustments and deductions for common equity tier 1 capital.** Report the sum of Schedule RC-R, items 13 through 17.
- 19 **Common equity tier 1 capital.** Report Schedule RC-R, item 12 less item 18. The amount reported in this item is the numerator of the institution's common equity tier 1 risk-based capital ratio.

### **Additional tier 1 capital**

- 20 **Additional tier 1 capital instruments plus related surplus.** Report the portion of noncumulative perpetual preferred stock and related surplus included in Schedule RC, item 23, that satisfy all the criteria in the capital rules of the institution's primary federal supervisor.

Include instruments that were (i) issued under the Small Business Job's Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 1 capital under the primary federal supervisor's general risk-based capital rules (for example, tier 1 instruments issued under the TARP program that are grandfathered permanently). Also include additional tier 1 capital instruments issued as part of an ESOP, provided that the repurchase of such instruments is required solely by virtue of ERISA for an institution that is not publicly-traded.

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

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

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2014, in accordance with Table 7 below, starting on January 1, 2014, for the case of advanced approaches depository institutions and on January 1, 2015, for non-advanced depository institutions.

The amount of non-qualifying capital instruments that is excluded from additional tier 1 capital in accordance with Table 7 may be included in tier 2 capital without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the revised regulatory capital rules.

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

Table 7 applies separately to additional tier 1 and tier 2 non-qualifying capital instruments. For example, an advanced approaches institution that has \$100 in non-qualifying tier 1 instruments may include up to \$80 in additional tier 1 capital in 2014, and \$70 in 2015. If that same institution has \$100 in non-qualifying tier 2 instruments, it may include up to \$80 in tier 2 capital in 2014 and \$70 in 2015. If the institution is involved in a merger or acquisition, it should treat its non-qualifying capital instruments following the requirements in section 300 of the revised regulatory capital rules.

**Table 7-- Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital for depository institutions**

Calendar year	Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital for depository institutions
2014	80
2015	70
2016	60
2017	50
2018	40
2019	30
2020	20
2021	10
Calendar year 2022 and thereafter	0

- 22** **Tier 1 minority interest that is not included in common equity tier 1 capital.** Report the amount of tier 1 minority interest that is includable at the consolidated level, as described below.

For each consolidated subsidiary, perform the calculations in steps (1) through (10) of the worksheet below. Sum up the results from step 10 for each consolidated subsidiary and report the aggregate number in this item 22.

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For tier 1 minority interest, there is no requirement that the subsidiary be a depository institution or a foreign bank. However, the instrument that gives rise to tier 1 minority interest must meet all the criteria for either common equity tier 1 capital or additional tier 1 capital instrument.

**Example and a worksheet calculation:** calculate additional tier 1 minority interest includable at the institution level as follows:

*Assumptions:*

- This is a continuation of the example used for common equity tier 1 minority interest from Schedule RC, item 4. Given the following:
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary: \$1,000 in each case
- Subsidiary’s qualifying tier 1 capital: \$110, which is composed of subsidiary’s qualifying common equity tier 1 capital \$80 and qualifying additional tier 1 capital of \$30.
- Subsidiary’s qualifying common equity tier 1 owned by minority shareholders: \$24
- Subsidiary’s qualifying additional tier 1 capital owned by minority shareholders: \$15
- Other relevant numbers are pulled from the example in Item 4.

(1)	Determine the risk-weighted assets of the subsidiary.	\$1,000
(2)	Determine the risk-weighted assets of the institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	\$1,000
(3)	Multiply the lower of (1) or (2) by 8.5%. <sup>5</sup>	$\$1,000 \times 8.5\% = \$85$
(4)	Determine the dollar amount of tier 1 capital for the subsidiary. If this amount is less than step (3), go directly to step (9). Otherwise continue on to step (5).	\$110
(5)	Subtract the amount in step (3) from the amount in step (4). This is the “surplus tier 1 capital of the subsidiary.”	$\$110 - \$85 = \$25$
(6)	Determine the percent of the subsidiary’s qualifying capital instruments that are owned by third parties (the minority shareholders).	$\$24 + \$15 = \$39$ . Then $\$39/\$110 = 35.45\%$
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the “surplus tier 1 minority interest of the subsidiary”	$35.45\% \times \$25 = \$8.86$
(8)	Determine the total amount of tier 1 minority interest of the subsidiary. Then subtract the surplus tier 1 minority interest of the subsidiary (step 7) from this amount.	$\$24 + \$15 = \$39$ . Then $\$39 - \$8.86 = \$30.14$

<sup>5</sup> The percentage multiplier in step (3) is the capital ratio necessary for the subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches institutions must adjust this percentage to account for all the applicable buffers.

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(9)	The “tier 1 minority interest includable at institution level” is the amount from step (8) or step (4) where there is no surplus tier 1 minority interest of the subsidiary.	\$30.14 <i>(Report the lower of \$30.14 or \$39)</i>
(10)	Subtract any minority interest that is included in common equity tier 1 capital (from item 4). The result is the minority interest included in additional tier 1 capital.	\$30.14 - \$21 <i>(from example in Item 4) = \$9.14.</i>

*Note:* As indicated, this example built onto the example under the instructions for item 4, where the subsidiary was a depository institution, and where its common equity tier 1 minority interest was includable in common equity tier 1 capital. However, if this were a subsidiary other than a depository institution, none of its minority interest arising from common equity tier 1 would have been includable in common equity tier 1 capital. If the subsidiary in the example were not a depository institution, the full calculated amount of minority interest (\$30.14) would be includable in additional tier 1 capital of the reporting institution since none of it would have been includable in common equity tier 1 capital.

**Transition provisions:** For surplus minority interest and non-qualifying minority interest, follow the transitional provision instructions in Schedule RC-R, item 4.

**23** **Additional tier 1 capital before deductions.** Report the sum of Schedule RC-R, items 20, 21, and 22.

**24** **LESS: Additional tier 1 capital deductions.** Report additional tier 1 capital deductions as the sum of the following elements.

Note that if an institution does not have a sufficient amount of additional tier 1 capital to reflect these deductions, then the institution must deduct the shortfall from common equity tier 1 capital (Schedule RC-R, item 17).

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

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

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

- (i) Gross long positions in investments in an institution’s own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;

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

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 11.

**(2) Reciprocal cross-holdings in the capital of financial institutions.** Include investments in the additional tier 1 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. If the institution does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

For example, if an institution is required to deduct a certain amount from additional tier 1 capital and it does not have additional tier 1 capital, then the deduction should be from common equity tier 1 capital in Schedule RC-R, item 17.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 11.

**(3) Non-significant investments in additional tier 1 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.** As noted in the instructions for RC-R, item 11 above, an institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution. Calculate this amount as follows:

- (1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1, and tier 2 capital.
- (2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.
- (3) If the amount in (1) is greater than the ten percent threshold for non-significant investments (Schedules RC-R, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this item 24.
- (4) If the amount in (1) is less than the 10 percent threshold for non-significant investments, report zero.

For example, assume an institution has a total of \$200 in non-significant investments (step 1), including \$60 in the form of additional tier 1 capital (step 2), and its ten percent threshold for non-significant investments is \$100 (as calculated in step 4 of item 11). Since the aggregate amount of non-significant investments exceeds the ten percent

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threshold for non-significant investments by \$100 (\$200-\$100), the institution would multiply \$100 by the ratio of 60/200 (step 3). Thus, the institution would need to deduct \$30 from its additional tier 1 capital.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 11.

**(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from additional tier 1 capital.**

Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 11.

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

Also include adjustments and deductions related to the calculation of DTAs, gain-on-sale, defined benefit pension fund assets, changes in fair value of liabilities due to changes in own credit risk, and expected credit losses during the transition period described in Schedule RC-R, item 8.

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

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

### **Tier 1 capital**

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

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### Tier 2 capital

- 27 **Tier 2 capital instruments plus related surplus.** Report tier 2 capital instruments (that satisfy all eligibility criteria in the regulatory capital rules of the institution's primary federal supervisory authority) and related surplus.

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

- 28 **Non-qualifying capital instruments subject to phase out from tier 2 capital.** Starting on January 1, 2014, for the case of advanced approaches depository institutions and on January 1, 2015, for non-advanced depository institutions, report the total amount of non-qualifying capital instruments that were included in tier 2 capital and outstanding as of January 1, 2014, and that are subject to phase out.

Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the revised regulatory capital rules but that were included in tier 1 or tier 2 capital respectively as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 7 in Schedule RC-R, item 21.

- 29 **Total capital minority interest that is not included in tier 1 capital.** Starting on January 1, 2014, for the case of advanced approaches depository institutions and on January 1, 2015, for non-advanced depository institutions, report the amount of total capital minority interest, as described below. For each consolidated subsidiary, perform the calculations in steps (1) through (10) below. Sum up the results for each consolidated subsidiary and report the aggregate number in this item 29.

***Example and a worksheet calculation:*** calculate additional tier 1 minority interest includable at the institution level as follows:

*Assumptions:*

- This is a continuation of the example used in the instructions for Schedule RC-R, items 4 and 22. Given the following:
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary: \$1,000 in each case.
- Subsidiary's qualifying total capital: \$130, which is composed of subsidiary's qualifying common equity tier 1 capital \$80, and qualifying additional tier 1 capital of \$30, and tier 2 capital of \$20.
- Subsidiary's qualifying common equity tier 1 capital owned by minority shareholders: \$24.

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- Subsidiary’s qualifying additional tier 1 capital owned by minority shareholders: \$15.
- Subsidiary’s qualifying total capital instruments owned by minority shareholders: \$15.

(1)	Determine the risk-weighted assets of the subsidiary.	<i>\$1,000</i>
(2)	Determine the risk-weighted assets of the institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	<i>\$1,000</i>
(3)	Determine the lower of (1) or (2), and multiply that amount by 10.5%. <sup>6</sup>	<i>\$1,000 x 10.5% = \$105</i>
(4)	Determine the dollar amount of total capital for the subsidiary. If this amount is less than step (3), go directly to step (9). Otherwise continue on to step (5).	<i>\$130</i>
(5)	Subtract the amount in step (3) from the amount in step (4). This is the “surplus total capital of the subsidiary.”	<i>\$130 - \$105 = \$25</i>
(6)	Determine the percent of the subsidiary’s qualifying total capital instruments that are owned by third parties (the minority shareholders). (This amount includes instruments that qualify for common equity tier 1 or tier 1 capital.)	<i>\$24 + \$15 + \$15 = \$54. Then, \$54/\$130 = 41.54%</i>
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the “surplus total capital minority interest of the subsidiary”	<i>41.54% x \$25 = \$10.39</i>
(8)	Determine the total amount of total capital minority interest of the subsidiary. Then subtract the surplus total capital minority interest of the subsidiary (step 7) from this amount.	<i>\$24 + \$15 + \$15 = \$54. Then \$54 - \$10.39 = \$43.62.</i>
(9)	The “total capital minority interest includable at the institution level” is the amount from step (8) or step (4) where there is no surplus total capital minority interest of the subsidiary.	<i>\$43.62 (Report the lesser of \$43.62 or \$54).</i>
(10)	Subtract from (9) any minority interest that is included in common equity tier 1 and additional tier 1 capital. The result is the total capital minority interest includable in total capital.	<i>\$43.62 – (\$21 + \$9.14) = \$13.48.</i>

<sup>6</sup> The percentage multiplier in step (3) is the capital ratio necessary for a subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches institutions must adjust this amount to account for all buffers.

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**Transition provisions:** For surplus minority interest and non-qualifying minority interest, follow the transitional provision instructions in Schedule RC-R, item 4.

- 30.a Allowance for loan and lease losses includable in tier 2 capital.** Report the portion of the institution's allowance for loan and lease losses that is includable in tier 2 capital. None of the institution's allocated transfer risk reserve, if any, is includable in tier 2 capital.

The amount reported in this item cannot exceed 1.25 percent of the institution's risk-weighted assets, reported in Schedule RC-R, Part II, not including the allowance for loan and lease losses. The allowance for loan and lease losses equals Schedule RC, item 4.c, "Allowance for loan and lease losses," less Schedule RI-B, part II, Memorandum item 1, "Allocated transfer risk reserve included in Schedule RI-B, part II, item 7, above," plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures."

- 30.b Advanced approaches institutions that exit parallel run only: eligible credit reserves includable in tier 2 capital.** Report the amount of eligible credit reserves includable in tier 2 capital as reported in FFIEC 101 Schedule A, item 50.

- 31 Unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures includable in Tier 2 capital.**

*(i) Institutions that entered "1" for Yes in Schedule RC-R, item 3.a:*

Report the pretax net unrealized holding gain (i.e., the excess of fair value as reported in Schedule RC-B, item 7, column D, over historical cost as reported in Schedule RC-B, item 7, column C), if any, on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures includable in tier 2 capital, subject to the limits specified by the capital guidelines of the reporting institution's primary federal supervisor. The amount reported in this item cannot exceed 45 percent of the institution's pretax net unrealized gain on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures.

*(ii) Institutions that entered "0" for No in Schedule RC-R, item 3.a:*

**Transition provisions for phasing out unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures:**

- (1) Determine the amount of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that an institution currently includes in tier 2 capital.
- (2) Multiply (1) by the percentage in Table 8 and include this amount in tier 2 capital.

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**Table 8 —Percentage of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that may be included in tier 2 capital**

Calendar year	Percentage of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that may be included in tier 2 capital
2014	36
2015	27
2016	18
2017	9
2018 and thereafter	0

For example, during calendar year 2014, include up to 36 percent of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures in tier 2 capital. During calendar years 2015, 2016, 2017, and 2018 (and thereafter), these percentages go down to 27, 18, 9 and zero, respectively.

- 32.a Tier 2 capital before deductions.** Report the sum of Schedule RC-R, items 27 through 30.a, plus item 31.
- 32.b Advanced approaches institutions that exit parallel run only: tier 2 capital before deductions.** Report the sum of Schedule RC-R, items 27 through 29, plus items 30.b and 31.
- 33 LESS: Tier 2 capital deductions.** Report total tier 2 capital deductions as the sum of the following elements.

If an institution does not have a sufficient amount of tier 2 capital to reflect these deductions, then the institution must deduct the shortfall from additional tier 1 capital (Schedule RC-R, item 24) or, if there is not enough additional tier 1 capital, from common equity tier 1 capital (Schedule RC-R, item 17).

For example, if tier 2 capital is \$98, and if the bank must make \$110 in tier 2 deductions, it would report \$98 on line 33, and would take the additional \$12 deduction in Schedule RC-R, item 24 (and in Schedule RC-R, item 17, in the case of insufficient additional tier 1 capital to make the deduction in Schedule RC-R, item 24).

In addition, advanced approaches institutions with insufficient tier 2 capital for deductions will make the following adjustments: an advanced approaches institution will make deductions on this schedule under the generally applicable rules that apply to all banking organizations. It will use FFIEC 101 Schedule A, to calculate its capital requirements under the advanced approaches. Therefore, in the case of an advanced approaches institution with insufficient tier 2 capital to make tier 2 deductions, it will use the corresponding deduction approach and the generally applicable rules to take excess

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tier 2 deductions from additional tier 1 capital in Schedule RC-R, item 24, and if necessary from common equity tier 1 capital in Schedule RC-R, item 17. It will use the advanced approaches rules to take deductions on the FFIEC 101 form.

For example, assume tier 2 capital is \$100 under the advanced approaches and \$98 under the generally applicable rules (due to the difference between the amount of eligible credit reserves includable in tier 2 capital under the advanced approaches, and ALLL includable in tier 2 capital under the standardized approach). If the required deduction from tier 2 capital is \$110, then the advanced approaches institution would add \$10 to the required additional tier 1 capital deductions (on FFIEC 101 Schedule A, line 42, and FFIEC 101 Schedule A, line 27, if necessary), and would add \$12 to its required additional tier 1 capital deductions for the calculation of the standardized approach regulatory capital ratios in this schedule (Schedule RC-R, item 24, and Schedule RC-R, item 17, if necessary).

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

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

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

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

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 11.

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

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 11.

**(3) Non-significant investments in tier 2 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.**

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Calculate this amount as follows (similar to Schedule RC-R, item 11):

- (1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1, and tier 2 capital.
- (2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.
- (3) If (1) is greater than the ten percent threshold for non-significant investments (Schedules RC-R, item 11, step (4)), then, multiply the difference by the ratio of (2) over (1). Report this product in this item.
- (4) If (1) is less than the ten percent threshold for non-significant investments, enter zero.

For example, assume an institution has a total of \$200 in non-significant investments (step 1), including \$40 in the form of tier 2 capital (step 2), and its ten percent threshold for non-significant investments is \$100 (as calculated in Schedule RC-R, item 11, step 4). Since the aggregate amount of non-significant investments exceed the ten percent threshold for non-significant investments by \$100 (\$200-\$100), the institution would multiply \$100 by the ratio of 40/200 (step 3). Thus, the institution would need to deduct \$20 from its tier 2 capital.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 11.

**(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from tier 2 capital.** Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.

**Transition provisions:** Follow the transition provisions in Schedule RC-R, item 11.

**(5) Other adjustments and deductions.** Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the revised regulatory capital rules of the primary federal supervisor.

**34.a Tier 2 capital.** Report the greater of Schedule RC-R, item 32.a less item 33, or zero.

**34.b Advanced approaches institutions that exit parallel run only: Tier 2 capital.** Report the greater of Schedule RC-R, item 32.b less item 33, or zero.

**35.a Total capital.** Report the sum of Schedule RC-R, items 26 and 34.a.

**35.b Advanced approaches institutions that exit parallel run only: Total capital.** Report the sum of Schedule RC-R, items 26 and 34.b.

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### Total assets for the leverage ratio

- 36 **Average total consolidated assets.** Report the amount of average total consolidated assets as reported in Schedule RC-K, item 9.
- 37 **LESS: Deductions from common equity tier 1 capital and additional tier 1 capital.** Report the sum of Schedule RC-R, items 6, 7, 8, and 10.b.
- 38 **LESS: Other deductions from (additions to) assets for leverage ratio purposes.** Based on the revised regulatory capital rules of the reporting institution's primary federal supervisor, report the amount of any deductions from (additions to) total assets for leverage capital purposes that are not included in Schedule RC-R, item 37. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.

#### *Institutions that do not make an AOCI opt-out election and all advanced approaches institutions:*

Because available-for-sale debt securities and available-for-sale equity securities are reflected at amortized cost and at the lower of cost or fair value, respectively, when calculating average total consolidated assets for Schedule RC-K, item 9, include in this item as a deduction from (addition to) assets for leverage ratio purposes the amount needed to adjust available-for-sale debt securities from amortized cost to fair value and available-for-sale equity securities from the lower of cost or fair value to fair value. If the deferred tax effects of any net unrealized gains (losses) on available-for-sale debt securities were excluded from the determination of average total consolidated assets for Schedule RC-K, item 9, also include in this item as a deduction from (addition to) assets for leverage ratio purposes the amount necessary to reverse the effect of this exclusion on net deferred tax assets.

*Transition provisions for institutions that do not make an AOCI opt-out election and all advanced approaches institutions:* Include in this item 38 the amount of deductions from (additions to) assets for leverage ratio purposes for available-for-sale securities and deferred tax effects as determined above reduced by the appropriate percentage in Table 1 in Schedule RC-R, item 3.a. For example, in 2015, if the amount of these deductions (additions) is a \$10,000 deduction, include \$4,000 in this item 38 [ $\$10,000 - (\$10,000 \times 60\%) = \$4,000$ ].

- 39 **Total assets for the leverage ratio.** Report Schedule RC-R, item 36 less items 37 and 38.

### Total risk-weighted assets

- 40.a **Total risk-weighted assets.** Report the amount of total risk-weighted assets using the general risk-based capital rules (as reported in Schedule RC-R, Part II, item 62), until

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January 1, 2015. Starting on January 1, 2015, report total risk-weighted assets calculated under the standardized approach.

Advanced approaches institutions only: In 2014, adjust the reported amount of the risk-weighted assets by the amounts deducted from regulatory capital.

- 40.b** **Advanced approaches institutions that exit parallel run only: Total risk-weighted assets using advanced approaches rules.** Report the amount from FFIEC 101 Schedule A, item 60.

### Capital Ratios

- 41** **Common equity tier 1 capital ratio.** Report the institution's common equity tier 1 risk-based capital ratio as a percentage, rounded to two decimal places.

Column A: Divide Schedule RC-R, item 19 by item 40.a.

Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, item 19 by item 40.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

- 42** **Tier 1 capital ratio.** Report the institution's tier 1 risk-based capital ratio as a percentage, rounded to two decimal places.

Column A: Divide Schedule RC-R, item 26 by item 40.a.

Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, item 26 by item 40.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

- 43** **Total capital ratio.** Report the institution's total risk-based capital ratio as a percentage, rounded to two decimal places.

Column A: Divide Schedule RC-R, item 35.a by item 40.a.

Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, item 35.b by item 40.b. The lower of the reported capital ratios in Column A and Column B will apply for prompt corrective action purposes.

- 44** **Tier 1 leverage ratio.** Report the institution's tier 1 leverage ratio as a percentage, rounded to two decimal places.

Column A: Divide Schedule RC-R, item 26 by item 39.

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Advanced approaches institutions that exit parallel run only: Column B: Divide Schedule RC-R, item 26 by item 39. Report zero in Column A.

- 45 **Advanced approaches institutions only: Supplementary leverage ratio.** Report the amount from FFIEC 101 Schedule A, item 98. Advanced approaches institution must complete this item even if they are in the parallel run process.

### **Capital Buffer**

- 46 **Institution-specific capital buffer necessary to avoid limitations on distributions and discretionary bonus payments.** Report this item as follows:

- a. Capital conservation buffer is equal to the lowest of the following ratios:  
(i) Schedule RC-R, item 41, less the applicable percentage in the column titled “Common equity tier 1 capital ratio” in Table 9; (ii) Schedule RC-R, item 42, less the applicable percentage in the column titled “Tier 1 capital ratio” in Table 9; and  
(iii) Schedule RC-R, item 43, less 8 percent.

***Transition provisions:*** Common equity tier 1 and tier 1 minimum capital requirements are:

**Table 9- Transition provisions for regulatory capital ratios**

Transition Period	Common equity tier 1 capital ratio percentage	Tier 1 capital ratio percentage
Calendar year 2014	4.0	5.5
Calendar year 2015 and thereafter	4.5	6.0

- b. Advanced approaches institutions that exit parallel run only: Report the total applicable capital buffer, as reported in FFIEC 101 Schedule A, item 68.

***Transition provisions for the capital conservation buffer:*** In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, an institution must hold a capital conservation buffer above its minimum risk-based capital requirements.

The amount reported in Schedule RC-R, item 46.a (or the lower of Schedule RC-R, items 46.a and 46.b, if an advanced approaches institution has exited parallel run) must be greater than the following phased-in capital conservation buffer, otherwise the institution will face limitations on distributions and certain discretionary bonus payments and will be required to complete Schedule RC-R, items 47 and 48.

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**Table 10 - Transition provisions for capital conservation buffer**

Transition Period	Capital conservation buffer percentage above which institutions avoid limitations on distributions and certain discretionary bonuses
Calendar year 2016	0.625
Calendar year 2017	1.25
Calendar year 2018	1.875
Calendar year 2019 and thereafter	2.5

Note: Advanced approaches institutions, including those that have not exited parallel run, will need to consult the regulation for the transition period if the countercyclical buffer is in place or if the institution is subject to countercyclical buffers in other jurisdictions. Any countercyclical buffer amount applicable to an advanced approaches institution should be added to the amount applicable in Table 10, in order for that institution to determine if it will need to complete Schedule RC-R, items 47 and 48.

**Institutions must complete items 47 and 48 if the amount in item 46.a (or the lower of items 46.a and 46.b for an advanced approaches institution that has exited parallel run) is less than or equal to the applicable minimum capital conservation buffer:** Institutions must complete Schedule RC-R, items 47 and 48, if the amount reported in Schedule RC-R, item 46.a (or the lower of Schedule RC-R, items 46.a and 46.b, if an advanced approaches institution has exited parallel run) is less than or equal to the applicable capital conservation buffer described above in Table 10 of Schedule RC-R, item 46 (plus any other applicable capital buffers, if the institution is an advanced approaches institution).

- 47** **Eligible retained income.** Report the amount of eligible retained income as the net income attributable to the institution for the four calendar quarters preceding the current calendar quarter, based on the institution's most recent quarterly regulatory report or reports, as appropriate, net of any distributions and associated tax effects not already reflected in net income.

For example, the amount of eligible retained income to be reported in this line item 47 for the June 30 report date would be based on the net income attributable to the institution for the four calendar quarters ending on the preceding March 31.

- 48** **Distributions and discretionary bonus payments during the quarter.** Report the amount of distributions and discretionary bonus payments during the quarter.