June 2020 COVID-19 Related Supplemental Instructions (Call Report)

In light of the disruptions in economic conditions caused by the Coronavirus Disease 2019 (COVID-19), one or all of the banking agencies have issued, and requested comment on, interim final rules (IFR) published from March through June 2020 that revise certain aspects of the agencies' regulatory capital rule, amend the Federal Reserve Board's (Board) Regulation D on reserve requirements, and except certain insider loans from the Board's Regulation O. The Federal Deposit Insurance Corporation (FDIC) also adopted a final rule modifying its deposit insurance assessment rules. All of these rules took effect before June 30, 2020. In addition, Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides optional temporary relief from accounting for eligible loan modifications as troubled debt restructurings, which the agencies discussed in an Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised) issued April 7, 2020.

As the Federal Financial Institutions Examination Council (FFIEC) previously advised, the agencies have received approvals from the U.S. Office of Management and Budget to implement changes to the three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051) arising from these interim final rules, the FDIC's final rule, and Section 4013 of the CARES Act (see FIL-38-2020 dated April 9, 2020, and FIL-60-2020 dated June 12, 2020). The reporting changes either took effect as of March 31, 2020, or take effect June 30, 2020. The agencies will request public comment on these changes in reporting through the standard Paperwork Reduction Act process at a later date.

These Call Report revisions include:

1) Updates to the instructions for the calculation of certain amounts reported on Schedule RC-R, Regulatory Capital, to implement the Regulatory Capital Rule IFRs listed below.

2) New items on Call Report Schedule RC-C, Part I, Loans and Leases, and Schedule RC-M, Memoranda, to collect data on:
   a. Eligible loan modifications under Section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 CARES Act, with these items collected on a confidential basis;
   b. U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loans and borrowings under the Federal Reserve PPP Liquidity Facility (PPPLF); and
   c. Holdings of assets purchased under the Money Market Mutual Fund Liquidity Facility (MMLF).

   The agencies expect the collection of these new items to be time-limited.

3) Revisions to the definitions of certain deposits reported on Call Report Schedule RC-E, Deposit Liabilities, in response to an IFR amending the Board's Regulation D (12 CFR 204).

4) Changes to the reporting on extensions of credit to insiders on Call Report Schedule RC-M, Memoranda, in response to a Board IFR that excepts certain loans guaranteed under the SBA's PPP from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of the Board's Regulation O (12 CFR 215).

These June 2020 COVID-19 Related Supplemental Instructions combine; update, as appropriate; and replace the "Supplemental Instructions: Interim Final Rules and Notice Issued March 2020" and the "2Q2020 COVID-19 Related Supplemental Instructions (Call Report)" issued as attachments to the aforementioned FIL-38-2020 and FIL-60-2020, respectively, which were posted on the FFIEC's webpages for the three versions of the Call Report. The FFIEC 031-FFIEC 041 Call Report instruction book and the FFIEC 051 Call Report instruction book will be updated to incorporate relevant information from these June 2020 COVID-19 Related Supplemental Instructions after the agencies have completed the standard Paperwork Reduction Act process for these Call Report revisions.

For further information on the IFRs and the final rule, see the following Federal Register notices:

- Regulatory Capital Rule: Eligible Retained Income;
- Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances;
- Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances (Correcting Amendment to IFR);
- Regulatory Capital Rule: MMLF;
- Regulatory Capital Rule: Changes to the Community Bank Leverage Ratio (CBLR) Framework;
- Regulatory Capital Rule: Transition for the CBLR Framework;
- Regulatory Capital Rule: PPPLF and PPP Loans;
- Regulation D: Reserve Requirements of Depository Institutions;
- Regulation O: Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks;
- Regulatory Capital Rule: Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio for Depository Institutions; and
- Final Rule: Assessments, Mitigating the Deposit Insurance Assessment Effect of Participation in the PPP, the PPPLF, and the MMLF.

Table of Contents

Revision Page

1. Change in the Definition of Eligible Retained Income……..……...……4

2. Interim Final Rule for the Money Market Liquidity Facility (MMLF)……...……..……5

3. 5-Year 2020 CECL Transition Provision…..……6

4. Interim Final Rules for Temporary Changes to the Community Bank Leverage Ratio (CBLR) Framework……10

5. Interim Final Rule for Paycheck Protection Program Liquidity Facility (PPPLF) and Paycheck Protection Program (PPP) Loans……..13

6. Final Rule for Assessments, Mitigating the Deposit Insurance Assessment Effect of Participation in the Paycheck Protection Program (PPP), the PPP Liquidity Facility (PPPLF), and the Money Market Mutual Fund Liquidity Facility (MMLF)……...14

7. Interim Final Rules for Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio……...……15

8. Interim Final Rule for Loans to Executive Officers, Directors, and Principal Shareholders..……15

9. CARES Act, Section 4013, Temporary Relief from Troubled Debt Restructurings (TDRs)…..……16

10. Interim Final Rule for Reserve Requirements of Depository Institutions (Regulation D)……17

Appendices:

A. Line Item Instructions for New Items Added to the Call Report Forms Effective as of the June 30, 2020, Report Date: Schedule RC-C, Part I, *Loans and Leases*, Memoranda……18

B. Line Item Instructions for New Items Added to the Call Report Forms Effective as of the June 30, 2020, Report Date: Schedule RC-M, *Memoranda*……..……..19

C. Redlined Revisions to the Instructions for Schedule RC-E, Deposit Liabilities, and the Glossary Entry for “Deposits” related to the Interim Final Rule for Reserve Requirements of Depository Institutions (Regulation D)……..…….....21

1. Change in the Definition of Eligible Retained Income

The instructions for Schedule RC-R, Part I, item 53, have been revised to incorporate revisions reflected in the interim final rule published in the *Federal Register* on March 20, 2020. Beginning with the March 31, 2020, report date, institutions that are required to report amounts in item 53 should using the following instructions.

Item No. **Caption and Instructions**

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

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

Example and a worksheet calculation:

Assumptions:

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

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

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

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

Schedule RC-R, Part I

Item No. **Caption and Instructions**

53 (cont.)

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

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

2. Interim Final Rule for the Money Market Liquidity Facility (MMLF)

To enhance the liquidity and functioning of money markets, the Federal Reserve Bank of Boston (FRBB) launched the Money Market Mutual Fund Liquidity Facility (MMLF) on March 18, 2020. On March 23, 2020, the agencies published an interim final rule, which permits banking organizations to exclude from regulatory capital requirements exposures related to the MMLF.

The interim final rule modifies the agencies' capital rule to allow banking organizations to neutralize the effects of purchasing assets through the MMLF on their risk-based and leverage capital ratios. This treatment extends to the community bank leverage ratio. Specifically, a banking organization may exclude from its total leverage exposure, average total consolidated assets, standardized total risk-weighted assets, and advanced approaches total risk-weighted assets, as applicable, any exposure acquired pursuant to a non-recourse loan from the MMLF. The interim final rule only applies to activities with the MMLF. The facility is scheduled to terminate on September 30, 2020, unless the facility is extended by the Federal Reserve Board.

Consistent with U.S, generally accepted accounting principles (GAAP), the agencies would expect banking organizations to report assets purchased from money market mutual funds under the MMLF on their balance sheets. To be eligible collateral for pledging to the FRBB, assets must be purchased from an eligible money market mutual fund at either the seller's amortized cost or fair value. Thereafter, banking organizations would subsequently measure the assets at amortized cost or fair value depending on the asset category in which the assets are reported on their balance sheets. The non-recourse nature of the transaction through the MMLF would impact the valuation of the liability to the FRBB. After reflecting any appropriate discounts on the assets purchased and the associated liabilities, organizations are not expected to report any material net gains or losses (if any) at the time of purchase. Any discounts generally would be accreted over time into income and expense.

Starting with the March 31, 2020, report date, institutions would include their holdings of assets purchased from money market mutual funds under the MMLF in the appropriate asset category on Schedule RC, Balance Sheet, and Schedule RC-R, Regulatory Capital. On Schedule RC, banking

organizations would report negotiable certificates of deposit not held for trading in item 1.b, held-to-maturity securities in item 2.a, available-for-sale (AFS) securities in item 2.b, and negotiable certificates of deposit and securities held for trading in item 5, as appropriate.[1] For regulatory capital reporting purposes, the balance sheet amounts of assets purchased through the MMLF would be reported in both Column A (Totals From Schedule RC) and Column C (0% risk-weight category) of the corresponding balance sheet asset categories of Schedule RC-R, Part II (i.e., in items 1, 2.a, 2.b, and 7, respectively).[2]

If a consolidated broker-dealer subsidiary of an institution has purchased assets from money market mutual funds under the MMLF that the institution reports as "Other assets" on its consolidated balance sheet for financial reporting purposes, the institution should also report these assets in Schedule RC, Balance Sheet, item 11, "Other assets." Further, for risk-based capital reporting purposes, if applicable, the parent institution of the broker-dealer should report these assets in Column A (Totals From Schedule RC) and Column C (0% risk-weight category) of Schedule RC-R, Part II, item 8, "All other assets."

The quarterly average of an institution's holdings of assets purchased under the MMLF, including those purchased by a consolidated broker-dealer subsidiary of the institution, would be included as a deduction in Schedule RC-R, Part I, item 29, "LESS: Other deductions from (additions to) assets for leverage ratio purposes," and thus excluded from Schedule RC-R, Part I, item 30, "Total assets for the leverage ratio." Advanced approaches banking organizations should not include assets purchased under the MMLF in "Total risk-weighted assets (RWAs)" reported in the FFIEC 101, Schedule A, item 60, or Schedule RC-R, Part I, item 48.b. Institutions subject to the supplementary leverage ratio requirement would report their adjusted "Total leverage exposure" and "Supplementary leverage ratio" in Schedule RC-R, Part I, items 55.a and 55.b, respectively. These institutions would adjust their existing calculations of "Total leverage exposure" by excluding assets purchased from money market mutual funds under the MMLF.

Borrowings from the FRBB would be included in Schedule RC, item 16, "Other borrowed money," and included in Schedule RC-M, items 5.b.(1)(a), Other borrowings with a remaining maturity or next repricing date of "One year or less," 5.b.(2), "Other borrowings with a remaining maturity of one year or less," and 10.b, "Amount of 'Other borrowings' that are secured."

Furthermore, beginning with the June 30, 2020, report date, institutions should report the "Outstanding balance of assets purchased under the MMLF" in Schedule RC-M, item 18.a and the "Quarterly average amount of assets purchased under the MMLF and excluded from 'Total assets for the leverage ratio' reported in Schedule RC-R, Part I, item 30." See Appendix B for detailed line item instructions for Schedule RC-M, items 18.a and 18.b. See Section 6, Final Rule for Assessments, Mitigating the Deposit Insurance Assessment Effect of Participation in the Paycheck Protection Program (PPP), the PPP Liquidity Facility (PPPLF), and the Money Market Mutual Fund Liquidity Facility (MMLF), below for further information.

3. 5-Year 2020 CECL Transition Provision

These instructions are based on the CECL interim final rule issued by the banking agencies on March 27, 2020 and the correcting amendment to the IFR issued on May 19, 2020. The instructions are intended to address application of the regulatory transition in the interim final rule for eligible institutions. The

[1] In addition, held-to-maturity and available-for-sale securities would be reported by securities category in Schedule RC-B, Securities, and as pledged securities in Memorandum item 1 of this schedule on all three versions of the Call Report. Negotiable certificates of deposit and securities held for trading would be reported by asset category in Schedule RC-D, Trading Assets and Liabilities, by institutions required to complete this schedule on the FFIEC 031 and the FFIEC 041. Securities held for trading also would be reported as pledged securities in Schedule RC-D, Memorandum item 4.a, on the FFIEC 031.

[2] Reporting in Schedule RC-R, Part II, applies only to institutions that do not have a community bank leverage ratio framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a.

agencies would revise these instructions if the final rule incorporates changes in response to comments received and after considering the interaction of the interim final rule with Section 4014 of the CARES Act.

Eligibility

An institution is eligible to use the 5-year 2020 CECL Transition Provision if it is required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020) as of the first day of a fiscal year that begins during the 2020 calendar year and:

(1) reports a decrease in retained earnings immediately upon adoption of CECL; or

(2) would report a positive Modified CECL Transitional Amount in any quarter ending in 2020 after adopting CECL.

An institution must make its election in calendar year 2020 on the first Call Report filed after the institution adopts CECL or the same Call Report that an institution first reports a positive Modified CECL Transitional Amount for any quarter ending in 2020.

Even if an institution makes an election to use the 5-year 2020 CECL Transition Provision, the institution may only reflect the regulatory capital adjustments in the quarter or quarters in which the institution implements CECL for regulatory reporting purposes.

Transition Period under the 5-Year 2020 CECL Transition

Beginning with the earlier of 1) the first quarter of the fiscal year that an institution was required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020), or 2) the first quarter in which the institution files regulatory reports reflecting CECL, and for the subsequent 19 quarters (for a total of 20 quarters or the five year transition period), an institution is permitted to make the adjustments described below to amounts used in calculating regulatory capital. If an institution temporarily ceases using CECL during this period (i.e., due to election of Section 4014 of the CARES Act), the institution may not reflect regulatory capital adjustments for any quarter (during the first 8 quarters) in which it did not implement CECL, but it would be allowed to apply the transition in subsequent quarters when the banking organization uses CECL. However, an institution that has elected the transition, but does not apply it in any quarter, does not receive any extension of the transition period.

Example 1: An institution was required to adopt the provisions of Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments (ASU 2016-13), on January 1, 2020. This institution, however, delays adoption of CECL under Section 4014 of the CARES Act until July 1, 2020, and elects to use the 5-year 2020 CECL Transition Provision. This institution's transition period begins on January 1, 2020, despite not adopting CECL until July 1, 2020. As such, on July 1, 2020, this institution would have 18 quarters,[3] including the quarter of adoption, remaining in its transition period.

Example 2: An institution was required to adopt the provisions of ASU 2016-13 on October 1, 2020, and elects to use the 5-year 2020 CECL Transition Provision. This institution does not delay adoption of CECL under Section 2014 of the CARES Act. This institution's transition period would begin on October 1, 2020. As such, on October 1, 2020, this institution would have 20 quarters, including the quarter of adoption, remaining in its transition period.

For the first 8 quarters after the start of its transition period, an institution is permitted to make an adjustment of 100% of the transitional items calculated below, for each quarter in which the institution applies CECL. Beginning with the ninth quarter of the transition period, the institution phases out the cumulative adjustment as calculated at the end of the eighth quarter (i.e., the first 2 years of the 5-year 2020 CECL Transition Provision), over the following 12 quarters as follows: 75 percent adjustment in quarters 9-12 (i.e., Year 3); 50 percent adjustment in quarters 13-16 (i.e., Year 4); and 25 percent adjustment in quarters 17-20 (i.e., Year 5).

[3] Six quarters of the initial transition followed by 12 quarters of the phase-out of the transition.

Institutions that elect the 5-year 2020 CECL Transition Provision would calculate the following amounts, as applicable. AACL refers to the Adjusted Allowances for Credit Losses, as defined in 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC).

CECL Transitional Amount means the decrease, net of any deferred tax assets (DTAs), in the amount of an institution's retained earnings as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's retained earnings as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

DTA Transitional Amount means the increase in the amount of an institution's DTAs arising from temporary differences as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

AACL Transitional Amount means the difference in the amount of an institution's AACL as of the beginning of the fiscal year in which the institution adopts CECL and the amount of the institution's allowance for loan and lease losses (ALLL) as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

Eligible Credit Reserves Transitional Amount means the increase in the amount of an institution's eligible credit reserves as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's eligible credit reserves as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

Modified CECL Transitional Amount means:

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

Modified AACL Transitional Amount means:

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

as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the *AACL transitional amount*.

<u>Adjustments to Instructions for Call Report Data Items in Schedule RC-R, Regulatory Capital</u>

Schedule RC-R, Part I, Item 2 (Retained Earnings) – An institution electing the 5-year 2020 CECL transition would add the *Modified CECL Transitional Amount*, as defined in Section 301 of the agencies' regulatory capital rules, when calculating this item, adjusted as follows: 100 percent in Years 1 and 2 of the transition period; 75 percent in Year 3 of the transition period; 50 percent in Year 4 of the transition period; and 25 percent in Year 5 of the transition period.

Schedule RC-R, Part I, Item 2.a (CECL Transition) – An institution that has adopted CECL would report whether it is using a CECL transition election, as defined in Section 301 of the agencies' regulatory capital rules, in the Call Report for the current quarter. The institution can choose from the following entries: 0 = No; 1 = Yes with a 3-year CECL transition election; and 2 = Yes with a 5-year 2020 CECL transition election. An institution that has not adopted CECL must leave item 2.a blank.

Schedule RC-R, Part I, Item 15 (FFIEC 041 and FFIEC 051) and Item 15.a or 15.b (FFIEC 031), as applicable (DTAs Arising from Temporary Differences) – An institution electing the 5-year 2020 CECL transition would subtract the *DTA Transitional Amount*, as defined in Section 301 of the agencies' regulatory capital rules, from the amount of DTAs arising from temporary differences used in the calculation of this item, adjusted as follows: 100 percent in Years 1 and 2 of the transition period; 75 percent in Year 3 of the transition period; 50 percent in Year 4 of the transition period; and 25 percent in Year 5 of the transition period.

Schedule RC-R, Part I, Item 27 (Average Total Consolidated Assets) – An institution electing the 5-year 2020 CECL transition would add the *Modified CECL Transitional Amount*, as defined in Section 301 of the agencies' regulatory capital rules, when calculating this item, adjusted as follows: 100 percent in Years 1 and 2 of the transition period; 75 percent in Year 3 of the transition period; 50 percent in Year 4 of the transition period; and 25 percent in Year 5 of the transition period.

Schedule RC-R, Part I, Item 42 (FFIEC 041 and FFIEC 051) and Item 42.a (FFIEC 031), as applicable (Adjusted Allowances for Credit Losses/ALLL in Tier 2 Capital) – An institution electing the 5-year 2020 CECL transition would subtract the *Modified AACL Transitional Amount*, as defined in Section 301 of the agencies' regulatory capital rules, when calculating this item, adjusted as follows: 100 percent in Years 1 and 2 of the transition period; 75 percent in Year 3 of the transition period; 50 percent in Year 4 of the transition period; and 25 percent in Year 5 of the transition period.

(FFIEC 031): **Schedule RC-R, Part I, Item 42.b, as applicable** (Eligible Credit Reserves in Tier 2 Capital) – An institution subject to the advanced approaches capital rule that has exited parallel run and elects the 5-year 2020 CECL transition would deduct the *Eligible Credit Reserves Transitional Amount*, as defined in Section 301 of the agencies' regulatory capital rules, when calculating this item, adjusted as follows: 100 percent in Years 1 and 2 of the transition period; 75 percent in Year 3 of the transition period; 50 percent in Year 4 of the transition period; and 25 percent in Year 5 of the transition period.

(FFIEC 031 and FFIEC 041) **Schedule RC-R, Part I, Item 55.a, as applicable** (Total Leverage Exposure) – An institution subject to the supplementary leverage ratio (an advanced approaches or Category III institution) that elects the 5-year 2020 CECL transition would add the *Modified CECL Transitional Amount*, as defined in Section 301 of the agencies' regulatory capital rules, when calculating this item, adjusted as follows: 100 percent in Years 1 and 2 of the transition period; 75 percent in Year 3 of the transition period; 50 percent in Year 4 of the transition period; and 25 percent in Year 5 of the transition period.

Schedule RC-R, Part II, Item 8 (All Other Assets) – An institution electing the 5-year 2020 CECL transition would subtract the *DTA Transitional Amount*, as defined in Section 301 of the agencies' regulatory capital rules, from the amount of DTAs arising from temporary differences that are risk-weighted in this item, adjusted as follows: 100 percent in Years 1 and 2 of the transition period; 75 percent in Year 3 of the transition period; 50 percent in Year 4 of the transition period; and 25 percent in Year 5 of the transition period.

<u>Example of Application for Second Quarter 2020:</u>

As an example, assume an institution is required under U.S. GAAP to adopt the provisions of ASU 2016-13 on January 1, 2020. This institution chose not to delay adoption of CECL for Call Report purposes under the provisions of the CARES Act, and elected to use the 5-year 2020 CECL Transition Provision in the March 31, 2020, Call Report. This institution's 5-year 2020 CECL transition period begins on January 1, 2020.

The institution's December 31, 2019, Call Report reflected the following amounts:
ALLL: $120
Temporary Difference DTAs: $20
Retained earnings: $200
Eligible credit reserves (advanced approaches only): $110

On January 1, 2020, the institution adopted CECL and reflected the following amounts:
AACL: $150
AACL Transitional Amount = $150 - $120 = $30
(AACL on 1/1/20 – ALLL on 12/31/19)
Temporary Difference DTAs: $30
DTA Transitional Amount = $30 - $20 = $10
(DTAs on 1/1/20 – DTAs on 12/31/19)
Retained earnings: $180
CECL Transitional Amount = $200 - $180 = $20
(Retained earnings on 12/31/19 – retained earnings on 1/1/20)
Eligible credit reserves (advanced approaches only): $140
Eligible Credit Reserves Transitional Amount = $140 - $110 = $30
(Eligible credit reserves on 1/1/20 – eligible credit reserves on 12/31/19)

On June 30, 2020, the institution reflected the following amounts:
AACL: $170
Modified AACL Transitional Amount = ($170-$150)*0.25 + $30 = $35
(AACL on 6/30/20 – AACL on 1/1/20)*0.25 + AACL Transitional Amount)
Modified CECL Transitional Amount = ($170-$150)*0.25 + $20 = $25
(AACL on 6/30/20 – AACL on 1/1/20)*0.25 + CECL Transitional Amount)

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

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

An institution that is not electing the CBLR framework in its June 30, 2020, Call Report, would make these additional adjustments:

- Part I, Item 42 (Allowances in Tier 2 Capital): Subtract $35 (Modified AACL Transitional Amount)
- Part II, Item 8 (All other assets): Subtract $10 (DTA Transitional Amount)

An institution subject to the supplementary leverage ratio (advanced approaches and Category III institutions) would make this additional adjustment in its June 30, 2020, Call Report:

- Part I, Item 55.a (Total leverage exposure for SLR): Add $25 (Modified CECL Transitional Amount)

An institution subject to the advanced approaches capital rule would make this additional adjustment in its June 30, 2020, Call Report:

- Part I, Item 42.b (Eligible credit reserves): Deduct $30 (Eligible Credit Reserves Transitional Amount)

4. Interim Final Rules for Temporary Changes to the Community Bank Leverage Ratio (CBLR) Framework

Background:

The Community Bank Leverage Ratio (CBLR) framework provides a simple measure of capital adequacy for certain qualifying community banking organizations. In November 2019, the agencies issued a final rule establishing the CBLR framework, which became effective January 1, 2020.

On April 23, 2020, the agencies published two interim final rules to provide temporary relief to community banking organizations with respect to the CBLR framework. The statutory interim final rule implements Section 4012 of the CARES Act, which requires the agencies to temporarily lower the community bank leverage ratio qualifying criterion to 8 percent. The temporary changes to the CBLR framework implemented by the statutory interim final rule will cease to be effective as of the earlier of the termination date of the national emergency concerning the coronavirus disease declared by the President on

March 13, 2020, under the National Emergencies Act (National Emergency), or December 31, 2020. After this date, the transition interim final rule becomes effective and provides community banking organizations with a clear and gradual transition, by January 1, 2022, back to the greater than 9 percent leverage ratio qualifying criterion previously established by the agencies. The other qualifying criteria in the CBLR framework have not been modified by the interim final rules.

The agencies have also published interim final rules related to the Money Market Mutual Fund Liquidity Facility (MMLF) and Paycheck Protection Program Liquidity Facility (PPPLF). Assets purchased under the MMLF and Paycheck Protection Program (PPP) covered loans pledged to the PPPLF are deducted from a banking organization's measure of average total consolidated assets for purposes of the leverage ratio calculation. However, such assets must be included in the banking organization's measure of total consolidated assets for purposes of determining a banking organization's eligibility to elect the CBLR framework. Specifically, no deduction for these assets would be made to Schedule RC, item 12. Banking organizations participating in the MMLF or the PPPLF should refer to the specific instructions for those facilities in Sections 2 and 5, respectively, of these supplemental instructions.

General Instructions:

Temporary Change to the Leverage Ratio Requirement under the CBLR Framework (statutory interim final rule):

Effective the second quarter of 2020, a banking organization may qualify for the CBLR framework if its leverage ratio is equal to or greater than 8 percent (as reported in Schedule RC-R, Part I, item 31) and it meets the following qualifying criteria: it has less than $10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not part of an advanced approaches banking organization; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets (Schedule RC-R, Part I, item 34).

As noted in the CBLR Background section above, this temporary change provision will cease to be effective as of the earlier of the termination date of the National Emergency or December 31, 2020. The statutory interim final rule also includes a grace period. When this rule is in effect, the minimum leverage ratio under the grace period is equal to or greater than 7 percent.

Transition Provisions (transition interim final rule):

Upon the expiration of the statutory interim final rule, the transition interim final rule will become effective. Under the provisions of the transition interim final rule, a banking organization may qualify for the CBLR framework if its leverage ratio is greater than 8 percent in the second through fourth quarters of calendar year 2020 (if applicable), greater than 8.5 percent in calendar year 2021, and greater than 9 percent in calendar year 2022 and thereafter. Also, the two-quarter grace period for a qualifying community banking organization will take into account the graduated increase in the community bank leverage ratio requirement qualifying criterion. In order to maintain eligibility for the CBLR framework during the transition period, a banking organization's leverage ratio cannot fall more than one percentage point below the community bank leverage ratio requirement qualifying criterion.

Table 1 – Schedule of Community Bank Leverage Ratio Requirements
(transition interim final rule)

Calendar Year	Community Bank Leverage Ratio (percent)	Minimum Leverage Ratio under the applicable grace period (percent)
2020 (2Q-4Q)*	> 8.0	> 7.0
2021	> 8.5	> 7.5
2022	> 9.0	> 8.0

* Table 1 reflects the leverage ratio requirement under the transition interim final rule. Effective the second quarter of 2020, when the statutory interim final rule is in effect, the community bank leverage ratio qualifying criterion is equal to or greater than 8 percent. Similarly, the minimum leverage ratio under the grace period when the statutory interim final rule is in effect is equal to or greater than 7 percent.

Ceasing to meet the leverage ratio requirement under the CBLR framework or failing to meet any of the other CBLR qualifying criteria

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

Under the CBLR framework, the grace period will begin as of the end of the calendar quarter in which the CBLR electing banking organization ceases to satisfy any of the qualifying criteria and has a maximum period of two consecutive calendar quarters. For example, if the CBLR electing banking organization had met all of the qualifying criteria as of March 31, 2020, but no longer meets one of the qualifying criteria as of May 15, 2020, and still does not meet all of the criteria as of the end of that quarter, the grace period for such a banking organization will begin as of the end of the quarter ending June 30, 2020. The banking organization may continue to use the CBLR framework as of September 30, 2020, but will need to comply fully with the generally applicable capital rule (including the associated reporting requirements) as of December 31, 2020, unless the banking organization once again meets all of the qualifying criteria of the CBLR framework, including the leverage ratio requirement qualifying criterion, before that time.

If a CBLR electing banking organization is in the grace period when the required community bank leverage ratio increases, the banking organization would be subject, as of the date of that change, to both the higher community bank leverage ratio requirement and higher grace period leverage ratio requirement. For example, if a CBLR electing banking organization that had met all of the qualifying criteria as of September 30, 2020, has a 7.2 percent community bank leverage ratio (but meets all of the other qualifying criteria) as of December 31, 2020, the grace period for such a banking organization will begin as of the end of the fourth quarter. The banking organization may continue to use the community bank leverage ratio framework as of March 31, 2021, if the banking organization has a leverage ratio of greater than 7.5 percent, and will need to comply fully with the generally applicable capital rule (including the associated reporting requirements) as of June 30, 2021, unless the banking organization has a leverage ratio of greater than 8.5 percent (and meets all of the other qualifying criteria) by that date. In this example, if the banking organization has a leverage ratio equal to or less than 7.5 percent as of March 31, 2021, it would not be eligible to use the community bank leverage ratio framework and would be subject immediately to the requirements of the generally applicable capital rule.

5. Interim Final Rule for Paycheck Protection Program Liquidity Facility (PPPLF) and Paycheck Protection Program (PPP) Loans

To enhance the liquidity of small business lenders and improve the functioning of the broader credit markets, the Federal Reserve Board authorized each of the Federal Reserve Banks to participate in the Paycheck Protection Program Liquidity Facility (PPPLF). On April 13, 2020, the agencies published an interim final rule, which permits banking organizations to exclude from regulatory capital requirements Paycheck Protection Program (PPP)[4] covered loans pledged to the PPPLF. The interim final rule also clarifies that PPP covered loans as defined in section 7(a)(36) of the Small Business Act (15 U.S.C. 636(a)(36)) receive a zero percent risk weight.

The interim final rule modifies the agencies' capital rule and allows PPPLF-eligible banking organizations to neutralize the regulatory effects of PPP covered loans on their risk-based capital ratios, as well as PPP covered loans pledged to the PPPLF on their leverage capital ratios. When calculating leverage capital ratios, a banking organization may exclude from average total consolidated assets and, as applicable, total leverage exposure a PPP covered loan as of the date that it has been pledged to the PPPLF. Accordingly, a PPP covered loan that has not been pledged as collateral in connection with an extension of credit under the PPPLF would be included in the calculation of the banking organization's average total consolidated assets and, as applicable, total leverage exposure. This treatment extends to the community bank leverage ratio. No new extensions of credit will be made under the PPPLF after September 30, 2020, unless the Federal Reserve Board and U.S. Department of Treasury jointly determine to extend the facility.

Consistent with U.S. GAAP, the agencies would expect banking organizations to report PPP covered loans on their balance sheets. Starting with the June 30, 2020, report date, institutions would include the outstanding balances of their PPP covered loans held for investment or held for sale in the appropriate loan category in Schedule RC-C, Part I, and, as applicable, in other Call Report schedules in which loan data are reported. PPP covered loans not held for trading that are pledged to the PPPLF would be reported in Schedule RC-C, Part I, Memorandum item 14, "Pledged loans and leases." Any PPP covered loans held for trading would be reported by all institutions on the Call Report balance sheet in Schedule RC, item 5, with the fair value and amortized cost of such loans reported by loan category in Schedule RC-D, Trading Assets and Liabilities, by institutions required to complete this schedule on the FFIEC 031 and the FFIEC 041. The outstanding balance of PPP covered loans held for trading that are pledged to the PPPLF would be included in Schedule RC-D, Memorandum item 4.b, "Pledged loans," on the FFIEC 031 by institutions required to complete this schedule.

Borrowings from the Federal Reserve Banks would be included in Schedule RC, item 16, "Other borrowed money"; the relevant subitem(s) under Schedule RC-M, item 5.b, "Other borrowings"; and Schedule RC-M, item 10.b, "Amount of 'Other borrowings' that are secured."

For regulatory capital reporting purposes, PPP covered loan exposures, regardless of whether they are pledged under the PPPLF and except as noted below, would be reported in Schedule RC-R, Part II, item 4.d, "Loans and leases held for sale: All other exposures"; Schedule RC-R, Part II, item 5.d, "Loans and leases held for investment: All other exposures"; or Schedule RC-R, item 7, "Trading assets," as appropriate, in both Column A (Totals) and Column C (0% risk-weight category).[5] PPP covered loan exposures not held for trading that are past due 90 days or more or on nonaccrual would be reported in Schedule RC-R, Part II, item 4.c, "Loans and leases held for sale: Exposures past due 90 days or more or on nonaccrual," or Schedule RC-R, Part II, item 5.c, "Loans and leases held for investment: Exposures past due 90 days or more or on nonaccrual," as appropriate, in both Column A (Totals) and Column C (0% risk-weight category). The quarterly average of PPP covered loans pledged to the PPPLF would be included as a deduction in Schedule RC-R, Part I, item 29, "LESS: Other deductions from (additions to) assets for leverage ratio purposes," and thus excluded from Schedule RC-R, Part I, item 30, "Total assets

[4] The Paycheck Protection Program was established by Section 1102 of the 2020 CARES Act.
[5] Reporting in Schedule RC-R, Part II, applies only to institutions that do not have a CBLR framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a.

for the leverage ratio."

Advanced approaches banking organizations would not include PPP covered loans in "Total risk-weighted assets" reported in Schedule RC-R, Part I, item 48.b. Institutions subject to the supplementary leverage ratio requirement would report their adjusted "Total leverage exposure" and "Supplementary leverage ratio" in Schedule RC-R, Part I, items 55.a and 55.b, respectively. These institutions would adjust their existing calculations of "Total leverage exposure" by excluding the average amount of PPP loans pledged to the PPPLF calculated as of each day of the reporting quarter.

Beginning with the June 30, 2020, report date, banking organizations would separately report in Schedule RC-M, items 17.a, 17.b, 17.c, and 17.e, the number of PPP covered loans outstanding, the quarter-end outstanding balance of PPP covered loans, the quarter-end outstanding balance of PPP covered loans that are pledged to the PPPLF, and the quarterly average amount of PPP covered loans pledged to the PPPLF that were excluded from total assets for the leverage ratio reported in Schedule RC-R, Part I, item 30, respectively. See Appendix B for detailed line item instructions for these Schedule RC-M items. See Section 6, Final Rule for Assessments, Mitigating the Deposit Insurance Assessment Effect of Participation in the Paycheck Protection Program (PPP), the PPP Liquidity Facility (PPPLF), and the Money Market Mutual Fund Liquidity Facility (MMLF), below for further information.

6. Final Rule for Assessments, Mitigating the Deposit Insurance Assessment Effect of Participation in the Paycheck Protection Program (PPP), the PPP Liquidity Facility (PPPLF), and the Money Market Mutual Fund Liquidity Facility (MMLF)

On May 12, 2020, the FDIC approved a notice of proposed rulemaking to mitigate the deposit insurance assessment effects of participation in the PPP, the PPPLF, and the MMLF. After considering the comments on the proposed rule, the FDIC published a final rule on June 26, 2020, modifying its deposit insurance assessments rule to mitigate these effects. The final rule took effect June 26, 2020, and will apply as of April 1, 2020, in order to provide assessment relief starting with the second quarter of 2020.

Under the final rule, the FDIC will remove the effect of participation in the PPP and borrowings under the PPPLF on various risk measures used to calculate an insured depository institution's (IDI) assessment rate, remove the effect of participation in the PPP and MMLF programs on certain adjustments to an IDI's assessment rate; provide an offset to an IDI's assessment for the increase to its assessment base attributable to participation in the PPP and MMLF; and remove the effect of participation in the PPP and MMLF when classifying insured depository institutions as small, large, or highly complex for assessment purposes.

Reporting Needs for Deposit Insurance Assessments

IDIs participating in the MMLF should refer to Section 2 above for general guidance on reporting under the MMLF. IDIs participating in the PPP or the PPPLF should refer to Section 5 above for general guidance on reporting PPP loans and borrowings from Federal Reserve Banks under the PPPLF.

Beginning with the June 30, 2020, report date, institutions should separately report in Schedule RC-M, items 17.a, 17.b, 17.c, 17.d.(1), 17.d.(2), and 17.e, the quarter-end number of PPP loans outstanding, the quarter-end outstanding balance of PPP loans, the quarter-end outstanding balance of PPP loans pledged to the PPPLF, the quarter-end outstanding balance of borrowings from Federal Reserve Banks under the PPPLF with a remaining maturity of one year or less, the quarter-end outstanding balance of borrowings from Federal Reserve Banks under the PPPLF with a remaining maturity of more than one year, and the quarterly average amount of PPP loans pledged to the PPPLF and excluded from "Total assets for the leverage ratio" reported in Schedule RC-R, Part I, item 30, respectively. Institutions also should separately report in Schedule RC-M, items 18.a and 18.b, the quarter-end total outstanding balance of assets purchased under the MMLF and the quarterly average amount of assets purchased under the MMLF and excluded from "Total assets for the leverage ratio" reported in Schedule RC-R, Part I, item 30, respectively. The FDIC would use the data reported in these items to make the

modifications prescribed in the final rule to an IDI's deposit insurance assessment. See Appendix B for detailed line item instructions for these Schedule RC-M items.

7. Interim Final Rule for Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio

On June 1, 2020, the agencies published an interim final rule to provide depository institutions subject to the supplementary leverage ratio the ability to temporarily exclude U.S. Treasury securities (Treasuries) and deposits in their accounts at Federal Reserve Banks (deposits at Federal Reserve Banks) from total leverage exposure. A depository institution that opts into this treatment (electing depository institution) is required to obtain prior approval of distributions from its primary Federal banking regulator. The prior approval requirement applies to distributions to be paid beginning in the third quarter of 2020. The interim final rule will terminate after March 31, 2021 (depository institution SLR IFR).

Under the depository institution SLR IFR, an electing depository institution (as defined above) would exclude the average amount of on-balance sheet U.S. Treasuries and deposits at Federal Reserve Banks calculated as of each day of the reporting quarter from Schedule RC-R, Part I, item 55.a, "Total leverage exposure." Custodial banking organizations would also exclude from total leverage exposure deposits with qualifying foreign central banks (specifically, those organizations would be able to exclude such deposits up to the average amount of funds in deposit accounts at the custodial banking organization that are linked to fiduciary or custodial and safekeeping accounts at the custodial banking organization calculated as of each day of the reporting quarter).

For reference, depository institutions report Treasuries held-to-maturity and available-for-sale in Schedule RC-B, item 1, "U.S. Treasury securities," and those held for trading in Schedule RC, item 5, "Trading assets" (and, if applicable, in Schedule RC-D, item 1, "U.S. Treasury securities"). Depository institutions report deposits at Federal Reserve Banks in Schedule RC-A, item 4, "Balances due from Federal Reserve Banks."

For purposes of reporting the supplementary leverage ratio as of June 30, 2020, electing depository institutions may reflect the exclusion of Treasuries and deposits at Federal Reserve Banks from total leverage exposure as if the depository institution SLR IFR interim final rule had been in effect for the entire second quarter of 2020. The temporary exclusions from total leverage exposure are available through the March 31, 2021, report date.

8. Interim Final Rule for Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks

On April 22, 2020, the Board published an interim final rule that excepts certain loans that are guaranteed under the SBA's PPP from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of the Board's Regulation O (12 CFR 215). The PPP loans will not be subject to section 22(h) or the corresponding provisions of Regulation O if they are not prohibited by the SBA lending restrictions as defined in the interim rule. The PPP applies to loans made between February 15 and June 30, 2020. Similarly, the exception in the interim final rule applies only to loans made during the same time period. Pursuant to Section 18(j)(2) of the Federal Deposit Insurance Act and Section 11(b)(1) of the Home Owners' Loan Act, the exception in the Board's interim final rule applies to insured state nonmember banks and savings associations, respectively, in the same manner and to the same extent as if these institutions were member banks.

PPP loans excepted from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of the Board's Regulation O should not be included in the extensions of credit reported in Schedule RC-M, item 1.a, "Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests," and item 1.b, "Number of executive

officers, directors, and principal shareholders to whom the amount of all extensions of credit by the reporting bank (including extensions of credit to related interests) equals or exceeds the lesser of $500,000 or 5 percent of total capital as defined for this purpose in agency regulations."

9. Section 4013, Temporary Relief from Troubled Debt Restructurings (TDRs)

As provided for under the CARES Act, a financial institution may account for an eligible loan modification either under Section 4013 or in accordance with Accounting Standards Codification (ASC) Subtopic 310-40, Receivables–Troubled Debt Restructurings by Creditors. If a loan modification is not eligible under Section 4013, or if the institution elects not to account for the loan modification under Section 4013, the financial institution should evaluate whether the modified loan is a TDR.

To be an eligible loan under Section 4013 (Section 4013 loan), a loan modification must be (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020.

Financial institutions accounting for eligible loans under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification. Financial institutions do not have to report Section 4013 loans as TDRs in regulatory reports. However, consistent with the statute, the agencies are collecting information about the volume of loans modified under Section 4013. Beginning with the June 30, 2020, report date, institutions should report the total number of loans outstanding that have been modified under Section 4013 and the outstanding balance of these loans in Call Report Schedule RC-C, Part I, Loans and Leases, Memorandum items 17.a and 17.b, respectively. These two items are being collected on a confidential basis at the institution level.[6] See Appendix A for detailed line item instructions for these Schedule RC-C, Part I, Memorandum items.

Institutions should continue to follow reporting instructions and U.S. GAAP for Section 4013 loans, including:

- Appropriately reporting past due and nonaccrual status; and
- Maintaining an appropriate allowance for loan and lease losses in accordance with ASC Subtopic 450-20[7] or ASC Subtopic 310-10,[8] or an appropriate allowance for credit losses in accordance with ASC Subtopic 326-20,[9] as applicable.

Institutions are not required to report Section 4013 loans in the following Call Report items:

- Schedule RC-C, Part I, Memorandum item 1, "Loans restructured in troubled debt restructurings that are in compliance with their modified terms."
- Schedule RC-N, Memorandum item 1, "Loans restructured in troubled debt restructurings included in items 1 through 7, above."
- Schedule RC-O, Memorandum item 16, "Portion of loans restructured in troubled debt restructurings that are in compliance with their modified terms and are guaranteed or insured by the U.S. Government" (which is applicable only to "large institutions" and "highly complex institutions" for deposit insurance assessment purposes).

One-to-four family residential mortgages will not be considered restructured or modified for the purposes of the agencies' risk-based capital rules solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status. Loans meeting these requirements that received a 50 percent risk weight prior to such a modification may continue receiving that risk weight.

---

[6] The agencies issued an interagency statement on April 7, 2020, to provide information to financial institutions that are working with borrowers affected by the coronavirus.
[7] ASC Subtopic 450-20, Contingencies—Loss Contingencies.
[8] ASC Subtopic 310-10, Receivables—Overall.
[9] ASC Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.

10. Interim Final Rule for Reserve Requirements of Depository Institutions (Regulation D)

On April 28, 2020, the Board published an interim final rule amending its Regulation D (12 CFR 204) to delete the numeric limits on certain kinds of transfers and withdrawals that may be made each month from "savings deposits." In response to the changes to Regulation D, the definitions of certain deposits reported on Call Report Schedule RC-E, Deposit Liabilities, have been revised. See Appendix C for the redlined revisions to these deposit definitions in the instructions for Schedule RC-E, Deposit Liabilities, and the Glossary entry for "Deposits."

Appendix A - Line Item Instructions for New Items Added to the Call Report Forms Effective as of the June 30, 2020, Report Date: Schedule RC-C, Part I, *Loans and Leases*, Memoranda

Item No.	Caption and Instructions
17	**Eligible loan modifications under Section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 Coronavirus Aid, Relief, and Economic Security Act.** As provided for under the 2020 Coronavirus Aid, Relief, and Economic Security Act, a financial institution may elect to account for an eligible loan modification under Section 4013 of that Act (Section 4013 loan). If a loan modification is not eligible under Section 4013, or if the institution elects not to account for an eligible loan modification under Section 4013, the institution should not report the loan in Memorandum items 17.a and 17.b and should instead evaluate whether the modified loan is a troubled debt restructuring (TDR) under ASC Subtopic 310-40, Receivables–Troubled Debt Restructurings by Creditors. To be an eligible loan modification under Section 4013, a loan modification must be (1) related to the Coronavirus Disease 2019 (COVID-19); (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the national emergency concerning the COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act or (B) December 31, 2020. Institutions accounting for eligible loan modifications under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification. Financial institutions do not have to report Section 4013 loans as TDRs in regulatory reports. However, consistent with the statute, the agencies are collecting information on a fully consolidated basis about the volume of Section 4013 loans, including the number of Section 4013 loans outstanding (Memorandum item 17.a) and the outstanding balance of Section 4013 loans (Memorandum item 17.b). These two items are collected on a confidential basis at the institution level. For further information on loan modifications, including those that may not be eligible under Section 4013 or for which an institution elects not to apply Section 4013, institutions may refer to the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised), issued April 7, 2020.
17.a	**Number of Section 4013 loans outstanding.** Report the number of Section 4013 loans outstanding held by the reporting institution as of the report date whose outstanding balances are included in the amount reported in Schedule RC-C, Part I, Memoranda item 17.b, below.
17.b	**Outstanding balance of Section 4013 loans.** Report the aggregate amount at which Section 4013 loans held for investment and held for sale are included in Schedule RC-C, Part I, and Section 4013 loans held for trading are included in Schedule RC, item 5, as of the report date.

Appendix B - Line Item Instructions for New Items Added to the Call Report Forms Effective as of the June 30, 2020, Report Date: Schedule RC-M, Memoranda

Item No.	Caption and Instructions
17	**U.S. Small Business Administration Paycheck Protection Program (PPP) loans and the Federal Reserve PPP Liquidity Facility (PPPLF).** The PPP was established by Section 1102 of the 2020 Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020 and amended on June 5, 2020. PPP covered loans (PPP loans) are fully guaranteed as to principal and accrued interest by the U.S. Small Business Administration (SBA). The PPPLF was authorized by the Board of Governors of the Federal Reserve System on April 8, 2020, under Section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)). Under the PPPLF, the Federal Reserve Banks will extend non-recourse loans to eligible lenders, with the extensions of credit secured by SBA-guaranteed PPP loans that the lenders have originated or purchased. Items 17.a through 17.e should be completed on a fully consolidated basis.
17.a	**Number of PPP loans outstanding.** Report the number of PPP loans outstanding held by the reporting institution as of the report date whose outstanding balances are included in the amount reported in Schedule RC-M, Memoranda item 17.b, below.
17.b	**Outstanding balance of PPP loans.** Report the aggregate amount at which PPP loans held for investment and held for sale are included in Schedule RC-C, Part I, and PPP loans held for trading are included in Schedule RC, item 5, as of the report date.
17.c	**Outstanding balance of PPP loans pledged to the PPPLF.** For PPP loans pledged to the PPPLF, report the aggregate amount at which such PPP loans held for investment and held for sale are included in Schedule RC-C, Part I, and such PPP loans held for trading are included in Schedule RC, item 5, as of the report date. Pledged PPP loans held for investment or held for sale that should be included in this item will also have been included in Schedule RC-C, Part I, Memorandum item 14, "Pledged loans and leases." On the FFIEC 031, pledged PPP loans held for trading that should be included in this item will also have been included in Schedule RC-D, Memorandum item 4.b, "Pledged loans."
17.d	**Outstanding balance of borrowings from Federal Reserve Banks under the PPPLF with a remaining maturity of.** Report in the appropriate subitem the specified information about the outstanding amount of borrowings from Federal Reserve Banks under the PPPLF reported in Schedule RC, item 16. The maturity date of an extension of credit under the PPPLF equals the maturity date of the PPP loan pledged to secure the extension of credit, which is either two or five years from origination of the PPP loan. However, the maturity date of the extension of credit will be accelerated and the institution is required to repay the extension of credit under the PPPLF prior to its maturity date when the institution has been reimbursed by the SBA for a PPP loan forgiveness (to the extent of the forgiveness), has received payment from the SBA representing exercise of the PPP loan guarantee, or has received payment from the PPP borrower of the underlying PPP loan (to the extent of the payment received). The remaining maturity is the amount of time remaining from the report date until the final contractual maturity of the borrowing without regard to the borrowing's repayment schedule, if any.

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

.

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

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

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

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

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

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

18.a **Outstanding balance of assets purchased under the MMLF.** Report on a fully consolidated basis the aggregate amount at which the reporting institution's holdings of assets purchased under the MMLF are included in Schedule RC, item 1.b, "Interest-bearing balances" due from depository institutions; item 2.a, "Held-to-maturity securities;" item 2.b, "Available-for-sale securities;" item 5, "Trading assets;" and item 11, "Other assets;" as appropriate, as of the report date.

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

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

Appendix C - Redlined Revisions to the Instructions for Schedule RC-E, Deposit Liabilities, and the Glossary Entry for "Deposits" related to the Interim Final Rule for Reserve Requirements of Depository Institutions (Regulation D)

The following pages (pages 22 to 33) contain the redlined instructions for these revisions.

Definitions (cont.)

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

The Monetary Control Act of 1980 and the resulting revision to Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions," established, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." The distinction between transaction and nontransaction accounts is discussed in detail in the Glossary entry for "deposits." ~~NOTE: Money market deposit accounts (MMDAs) are regarded as savings deposits and are specifically excluded from the "transaction account" classification.~~

~~**Summary of Transaction Account Classifications** (See the Glossary entry for "deposits" for detailed definitions and further information.)~~

~~A. Always regarded as transaction accounts:~~

~~1. Demand deposits.~~

~~2. NOW accounts.~~

~~3. ATS accounts.~~

~~4. Accounts (other than savings deposits) from which payments may be made to third parties by means of an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.~~

~~5. Accounts (other than savings deposits) that permit third party payments through use of checks, drafts, negotiable instruments, or other similar instruments.~~

~~B. Deposits or accounts that are regarded as transaction accounts if the following specified conditions exist:~~

~~1. Accounts that otherwise meet the definition of savings deposits but that authorize or permit the depositor to exceed the transfer and withdrawal rules for a savings deposit.~~

~~2. Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after the date of deposit and that does not require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days, unless the deposit or account meets the definition of a savings deposit. Any such deposit or account that meets the definition of a savings deposit shall be reported as a savings deposit, otherwise it shall be reported as a demand deposit, which is a transaction account.~~

~~3. The remaining balance of a time deposit from which a partial early withdrawal is made, unless the remaining balance either (a) is subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal (in which case the deposit or account continues to be reported as a time deposit) or (b) is placed in an account that meets the definition of a savings deposit (in which case the deposit or account shall be reported as a savings deposit). Otherwise, the deposit or account shall be reported as a demand deposit, which is a transaction account.~~

~~Summary of Transaction Account Classifications (cont.)~~

~~C. Not regarded as transaction accounts (unless specified above):~~

~~1. Savings deposits (including accounts commonly known as money market deposit accounts (MMDAs)).~~

~~2. Accounts that permit telephone or preauthorized transfers or transfers by ATMs or RSUs to repay loans made or serviced by the same depository institution.~~

~~3. Accounts that permit telephone or preauthorized withdrawals where the proceeds are to be mailed to or picked up by the depositor.~~

~~4. Accounts that permit transfers to other accounts of the depositor at the same institution through ATMs or RSUs.~~

Deposits (cont.):

(4) outstanding draft (including advice or authorization to charge a bank's or a savings association's balance in another bank or savings association), cashier's check, money order, or other officer's check issued in the usual course of business for any purpose, including without being limited to those issued in payment for services, dividends, or purchases, and

(5) such other obligations of a bank or savings association as the Board of Directors [of the Federal Deposit Insurance Corporation], after consultation with the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage, except that the following shall not be a deposit for any of the purposes of this Act or be included as part of the total deposits or of an insured deposit:

(A) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of any State, unless –

(i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and

(ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and

(B) any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the Board of Governors of the Federal Reserve System in regulation D or any successor regulation issued by the Board of Governors of the Federal Reserve System; and

(C) any liability of an insured depository institution that arises under an annuity contract, the income of which is tax deferred under section 72 of title 26 [the Internal Revenue Code].

(II) Transaction-nontransaction deposit distinction – The Monetary Control Act of 1980 and the current Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions," establish, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." All deposits that are not transaction accounts are "nontransaction accounts."

(1) Transaction accounts – With the exceptions noted below, a "transaction account," as defined in Regulation D and in these instructions, is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Excluded from transaction accounts are savings deposits (both money market deposit accounts (MMDAs) and other savings deposits) as defined below in the nontransaction account category, ~~even though such deposits permit some third-party transfers. However, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the transfer limitations specified for that account shall be reported as a transaction account. (Please refer to the definition of savings deposits for further detail.)~~

Deposits (cont.):

NOTE: Under the Federal Reserve's current Regulation D, no transaction account, regardless of its other characteristics, is classified either as a savings deposit or as a time deposit. Thus, those transaction accounts that are not demand deposits – NOW accounts, ATS (Automatic Transfer Service) accounts, and telephone and preauthorized transfer accounts – are excluded from Regulation D time and savings deposits. For all items in the Consolidated Reports of Condition and Income involving time or savings deposits, a strict distinction, based on Regulation D definitions, is to be maintained between transaction accounts and time and savings accounts.

Transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts; (c) ATS accounts; and (d) telephone and preauthorized transfer accounts, all as defined below. Interest that is paid by the crediting of transaction accounts is also included in transaction accounts.

(a) Demand deposits are deposits that are payable immediately on demand, or that are issued with an original maturity or required notice period of less than seven days, or that represent funds for which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal. Demand deposits include any matured time deposits without automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account. Effective July 21, 2011, demand deposits may be interest-bearing or noninterest-bearing. Demand deposits do not include: (i) money market deposit accounts (MMDAs) or (ii) NOW accounts, as defined below in this entry.

(b) NOW accounts are interest-bearing deposits (i) on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and (ii) that can be withdrawn or transferred to third parties by issuance of a negotiable or transferable instrument.

NOW accounts, as authorized by federal law, are limited to accounts held by:

(i) Individuals or sole proprietorships;

(ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are not operated for profit. These include organizations, partnerships, corporations, or associations that are not organized for profit and are described in section 501(c)(3) through (13) and (19) and section 528 of the Internal Revenue Code, such as church organizations; professional associations; trade associations; labor unions; fraternities, sororities and similar social organizations; and nonprofit recreational clubs; or

(iii) Governmental units including the federal government and its agencies and instrumentalities; state governments; county and municipal governments and their political subdivisions; the District of Columbia; the Commonwealth of Puerto Rico, American Samoa, Guam, and any territory or possession of the United States and their political subdivisions.

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

Deposits (cont.):

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

(c) ATS accounts are deposits or accounts of individuals or sole proprietorships on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and from which, pursuant to written agreement arranged in advance between the reporting institution and the depositor, withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts.

~~Some institutions may have entered into agreements with their customers providing that in the event the customer should overdraw a demand deposit (checking) or NOW account, the institution will transfer from that customer's savings account an amount sufficient to cover the overdraft. The availability of the overdraft protection plan would not in and of itself require that such a savings account be regarded as a transaction account provided that the overall transfer and withdrawal restrictions of a savings deposit are not exceeded. Please refer to the definition of savings deposit for further detail.~~

(d) Telephone or preauthorized transfer accounts consist of deposits or accounts, other than savings deposits, (1) in which the entire beneficial interest is held by a party eligible to hold a NOW account, (2) on which the reporting institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account, ~~and (3) under the terms of which, or by practice of the reporting institution, the depositor is permitted or authorized to make more than six withdrawals per month or statement cycle (or similar period) of at least four weeks for purposes of transferring funds to another account of the depositor at the same institution (including a transaction account) or for making payment to a third party by means of preauthorized transfer, or telephonic (including data transmission) agreement, order or instruction. An account that permits or authorizes more than six such withdrawals in a "month" (a calendar month or any period approximating a month that is at least four weeks long, such as a statement cycle) is a transaction account whether or not more than six such withdrawals actually are made in the "month."~~

and

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

Telephone and preauthorized transfer accounts also include:

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

Deposits (cont.):

(ii) The balance of deposits or accounts that otherwise meet the definition of time deposits, but from which payments may be made to third parties by means of a debit card, an automated teller machine, remote service unit or other electronic device, regardless of the number of payments made.

~~However, an account is not a transaction account merely by virtue of arrangements that permit the following types of transfers or withdrawals, regardless of the number:~~

~~(i) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).~~

~~(ii) Transfers of funds from this account to another account of the same depositor at the same depository institution when made by mail, messenger, automated teller machine, or in person.~~

~~(iii) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).~~

(2) Nontransaction accounts – All deposits that are not transaction accounts (as defined above) are nontransaction accounts. Nontransaction accounts include: (a) savings deposits ((i) money market deposit accounts (MMDAs) and (ii) other savings deposits) and (b) time deposits ((i) time certificates of deposit and (ii) time deposits, open account). Regulation D no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined below for purposes of these reports, which call for separate data on each in Schedule RC-E, (part I,) Memorandum items 2.a.(1) and (2).

NOTE: Under the Federal Reserve's current Regulation D, no transaction accounts, regardless of other characteristics, are defined as savings or time deposits. Thus, savings deposits as defined here, under the heading nontransaction accounts, constitute the entire savings deposit category. Likewise, time deposits, also defined here under nontransaction accounts, constitute the entire time deposits category.

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

The term savings deposit also means a deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or a money market deposit account (MMDA), that otherwise meets the requirements of the preceding paragraph ~~and from which, under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make no more than six transfers and withdrawals, or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer, or~~

Add period to end of sentence

Deposits (cont.):

~~telephonic (including data transmission) agreement, order, or instruction; or by check, draft, debit card, or similar order made by the depositor and payable to third parties. Transfers from savings deposits for purposes of covering overdrafts (overdraft protection plans) are included under the withdrawal limits specified for savings deposits.~~

~~There are no regulatory restrictions on the following types of transfers or withdrawals from a savings deposit account, regardless of the number:~~

~~(1) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).~~

~~(2) Transfers of funds from this account to another account of the same depositor at the same institution when made by mail, messenger, automated teller machine, or in person.~~

~~(3) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).~~

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

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

Insert 1

~~On the other hand, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the six-transfer/withdrawal rule shall be reported as a transaction account, as follows:~~

~~(1) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.~~

~~(2) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or preauthorized transfer account, or an ATS account:~~

~~(a) If withdrawals or transfers by check, draft, or similar instrument are permitted or authorized, the account is considered a NOW account.~~

~~(b) If withdrawals or transfers by check, draft, or similar instrument are not permitted or authorized, the account is considered either an ATS account or a telephone or preauthorized transfer account.~~

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

Insert 1

Treatment of Accounts where Reporting Institutions Have Suspended Enforcement of the Six Transfer Limit per Regulation D

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

1) If the reporting institution does not retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal, report the account as a demand deposit.

2) If the reporting institution does retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal and the depositor is eligible to hold a NOW account, report the account as either an ATS account, NOW account, or a telephone and preauthorized transfer account.

3) If the reporting institution does retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal and the depositor is ineligible to hold a NOW account, the account should continue to be reported as a savings deposit.

Deposits (cont.):

(1) Money market deposit accounts (MMDAs) are deposits or accounts that meet the above definition of a savings deposit and that permit ~~up to (but no more than) six allowable transfers~~ to be made by check, draft, debit card or similar order made by the depositor and payable to third parties.

unlimited transfers

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

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

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

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

Time deposits take two forms:

(i) Time certificates of deposit (including rollover certificates of deposit) are deposits evidenced by a negotiable or nonnegotiable instrument, or a deposit in book entry form evidenced by a receipt or similar acknowledgement issued by the bank, that provides, on its face, that the amount of such deposit is payable to the bearer, to any specified person, or to the order of a specified person, as follows:

(1) on a certain date not less than seven days after the date of deposit,

(2) at the expiration of a specified period not less than seven days after the date of the deposit, or

(3) upon written notice to the bank which is to be given not less than seven days before the date of withdrawal.

(ii) Time deposits, open account are deposits (other than time certificates of deposit) for which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn prior to:

(1) the date of maturity which shall be not less than seven days after the date of the deposit, or

(2) the expiration of a specified period of written notice of not less than seven days.

Deposits (cont.):

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

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

(1) Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after deposit and that does not require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days. Such deposits or accounts that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

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

Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts – In an effort to reduce their reserve requirements, some banks have established "retail sweep arrangements" or "retail sweep programs." In a retail sweep arrangement, a depository institution transfers funds between a customer's transaction account(s) and that customer's nontransaction account(s) (usually savings deposit account(s)) by means of preauthorized or automatic transfers, typically in order to reduce transaction account reserve requirements while providing the customer with unlimited access to the funds.

There are ~~three~~ two key criteria for retail sweep programs to comply with the Federal Reserve Regulation D definitions of "transaction account" and "savings deposit:"

(1) A depository institution must establish by agreement with its transaction account customer two legally separate accounts: a transaction account (a NOW account or demand deposit account) and a savings deposit account, including those sometimes called a "money market deposit account" or "MMDA";

(2) The swept funds must actually be moved from the customer's transaction account to the customer's savings deposit account on the official books and records of the depository institution as of the close of the business on the day(s) on which the depository institution intends to report the funds in question as savings deposits and not transaction accounts, and vice versa. In addition to actually moving the customer's funds between accounts and reflecting this movement at the account level:

(a) If the depository institution's general ledger is sufficiently disaggregated to distinguish between transaction and savings deposit accounts, the aforementioned movement of funds between the customer's transaction account and savings deposit account must be reflected on the general ledger.

Deposits (cont.):

(b) If the depository institution's general ledger is not sufficiently disaggregated, the distinction may be reflected in supplemental records or systems, but only if such supplemental records or systems constitute official books and records of the institution and are subject to the same prudent managerial oversight and controls as the general ledger.

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

~~(3) The maximum number of preauthorized or automatic funds transfers ("sweeps") out of a savings deposit account and into a transaction account in a retail sweep program is limited to not more than six per month. Transfers out of the transaction account and into the savings deposit account may be unlimited in number.~~

either of these

If ~~any of the three~~ criteria is not met, all swept funds must continue to be reported as transaction accounts, both for purposes of these reports and of FR 2900 deposit reports. All three criteria must be met in order to report the nontransaction account component of a retail sweep program as a nonreservable savings deposit account.

both

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

~~For additional information, refer to the Federal Reserve Board staff guidance relating to the requirements for a retail sweep program under Regulation D at http://www.federalreserve.gov/boarddocs/legalint/FederalReserveAct/2007/20070501/20070501.pdf.~~

(III) Interest-bearing-noninterest-bearing deposit distinction –

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

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

Deposits (cont.):

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

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

See also "brokered deposits" and "hypothecated deposits."

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

Example 1

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

Example 2

A savings deposit permits unlimited ~~up to six, but no more than six,~~ "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties. None of the third-party payments may be made by check, draft, or similar order (including debit card).

Report this account as an other savings deposit.

Example 3

A savings deposit permits unlimited ~~no more than six~~ "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties, any or all which may be by check, draft, debit card or similar order made by the depositor and payable to third parties.

Report this account as an MMDA.

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