FFIEC 041
Draft Reporting Form and Instructions
for Proposed Assessment-Related Revisions to the Call Report

The following proposed revisions to the Call Report form and instructions for Schedule RC-O (FFIEC 031 and FFIEC 041 only), which are subject to change, would implement the FDIC's recently proposed amendments to the deposit insurance assessment system applicable to large and highly complex insured depository institutions (IDIs) (see FIL-107-2020 dated November 20, 2020). These proposed amendments would remove the double counting of a specified portion of the current expected credit losses (CECL) transitional amount or the modified CECL transitional amount, as applicable, in the calculation of certain financial measures involving the sum of Tier 1 capital and reserves that are used to determine deposit insurance assessment rates for such IDIs.

This reporting change is described in the federal banking agencies' initial Paperwork Reduction Act (PRA) *Federal Register* Notice published on December 18, 2020. It would take effect beginning with the June 30, 2021, report date. This Call Report revision and related conforming changes to Schedule RC-O are annotated in *red font* in the draft reporting form.

This draft reporting form also includes the impact to Schedule RC-O from the proposed revisions to the FFIEC 041 that were included in the agencies' initial PRA *Federal Register* notice published on November 30, 2020. This revision to Schedule RC-O with a proposed effective date of March 31, 2021, is annotated in *blue font* in the draft reporting form.

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Draft as of December 23, 2020

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Schedule RC-O—Other Data for Deposit Insurance Assessments

All FDIC-insured depository institutions must complete items 1 and 2, 4 through 9,10, and 11, Memorandum item 1, and, if applicable, item 9.a, Memorandum items 2, 3, and ~~5~~6 through 18 each quarter. Unless otherwise indicated, complete items 1 through 11 and Memorandum items 1 through 3 on an "unconsolidated single FDIC certificate number basis" (see instructions) and complete Memorandum items ~~5~~6 through 18 on a fully consolidated basis.

Dollar Amounts in Thousands	RCON	Amount	
1. Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations	F236		1.
2. Total allowable exclusions, including interest accrued and unpaid on allowable exclusions	F237		2.
3. Not applicable			
4. Average consolidated total assets for the calendar quarter	K652		4.
a. Averaging method used (for daily averaging, enter 1, for weekly averaging, enter 2) — Number	K653		4.a.
		Amount	
5. Average tangible equity for the calendar quarter[1]	K654		5.
6. Holdings of long-term unsecured debt issued by other FDIC-insured depository institutions	K655		6.
7. Unsecured "Other borrowings" with a remaining maturity of (sum of items 7.a through 7.d must be less than or equal to Schedule RC-M, items 5.b.(1)(a)–(d) minus item 10.b):			
a. One year or less	G465		7.a.
b. Over one year through three years	G466		7.b.
c. Over three years through five years	G467		7.c.
d. Over five years	G468		7.d.
8. Subordinated notes and debentures with a remaining maturity of (sum of items 8.a. through 8.d. must equal Schedule RC, item 19):			
a. One year or less	G469		8.a.
b. Over one year through three years	G470		8.b.
c. Over three years through five years	G471		8.c.
d. Over five years	G472		8.d.
9. Brokered reciprocal deposits (included in Schedule RC-E, Memorandum item 1.b)	G803		9.
Item 9.a is to be completed on a fully consolidated basis by all institutions that own another insured depository institution.			
a. Fully consolidated brokered reciprocal deposits	L190		9.a.
10. Banker's bank certification:			
Does the reporting institution meet both the statutory definition of a banker's bank and the business conduct test set forth in FDIC regulations?		Yes / No	
	K656		10.
If the answer to item 10 is "YES," complete items 10.a and 10.b.		Amount	
a. Banker's bank deduction	K657		10.a.
b. Banker's bank deduction limit	K658		10.b.
11. Custodial bank certification:			
Does the reporting institution meet the definition of a custodial bank set forth in FDIC regulations?		Yes / No	
	K659		11.
If the answer to item 11 is "YES," complete items 11.a and 11.b.[2]		Amount	
a. Custodial bank deduction	K660		11.a.
b. Custodial bank deduction limit	K661		11.b.

1. See instructions for averaging methods. For deposit insurance assessment purposes, tangible equity is defined as Tier 1 capital as set forth in the banking agencies' regulatory capital standards and reported in Schedule RC-R, Part I, item 26, except as described in the instructions.
2. If the amount reported in item 11.b is zero, item 11.a may be left blank.

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Schedule RC-O—Continued

Memoranda

Dollar Amounts in Thousands		RCON	Amount	
1. Total deposit liabilities of the bank, including related interest accrued and unpaid, less allowable exclusions, including related interest accrued and unpaid (sum of Memorandum items 1.a.(1), 1.b.(1), 1.c.(1), and 1.d.(1) must equal Schedule RC-O, item 1 less item 2):				
a. Deposit accounts (excluding retirement accounts) of $250,000 or less:[1]				
(1) *Amount* of deposit accounts (excluding retirement accounts) of $250,000 or less		F049		M.1.a.(1)
(2) *Number* of deposit accounts (excluding retirement accounts) of $250,000 or less	F050 Number			M.1.a.(2)
b. Deposit accounts (excluding retirement accounts) of more than $250,000:[1]				
(1) *Amount* of deposit accounts (excluding retirement accounts) of more than $250,000		F051		M.1.b.(1)
(2) *Number* of deposit accounts (excluding retirement accounts) of more than $250,000	F052 Number			M.1.b.(2)
c. Retirement deposit accounts of $250,000 or less:[1]				
(1) *Amount* of retirement deposit accounts of $250,000 or less		F045		M.1.c.(1)
(2) *Number* of retirement deposit accounts of $250,000 or less	F046 Number			M.1.c.(2)
d. Retirement deposit accounts of more than $250,000:[1]				
(1) *Amount* of retirement deposit accounts of more than $250,000		F047		M.1.d.(1)
(2) *Number* of retirement deposit accounts of more than $250,000	F048 Number			M.1.d.(2)
Memorandum item 2 is to be completed by banks with $1 billion or more in total assets.[2]				
2. Estimated amount of uninsured deposits including related interest accrued and unpaid (see instructions)[3]		5597		M.2.
3. Has the reporting institution been consolidated with a parent bank or savings association in that parent bank's or parent savings association's Call Report? If so, report the legal title and FDIC Certificate Number of the parent bank or parent savings association: TEXT A545		RCON A545	FDIC Cert. No.	M.3.

4. ~~and 5.~~ Not applicable

1. The dollar amounts used as the basis for reporting in Memorandum items 1.a through 1.d reflect the deposit insurance limits in effect on the report date.
2. For the $1 billion asset-size test for report dates through December 31, 2021, an insitution may use the lesser of the total assets reported in its Report of Condition, as of December 31, 2019, or June 30, 2020.
3. Uninsured deposits should be estimated based on the deposit insurance limits set forth in Memorandum items 1.a through 1.d.

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5. Applicable portion of the CECL transitional amount or modified CECL transitional amount that has been added to retained earnings for regulatory capital purposes as of the current report date and is attributable to loans and leases held for investment

Schedule RC-O—Continued

Amounts reported in Memorandum items 6 through 9, 14, and 15 will not be made available to the public on an individual institution basis.

Memoranda—Continued

Dollar Amounts in Thousands	RCON	Amount	
Memorandum items ~~5~~6 through 12 are to be completed by "large institutions" and "highly complex institutions" as defined in FDIC regulations.	XXXX		M.5.
6. Criticized and classified items:			
a. Special mention	K663		M.6.a.
b. Substandard	K664		M.6.b.
c. Doubtful	K665		M.6.c.
d. Loss	K666		M.6.d.
7. "Nontraditional 1–4 family residential mortgage loans" as defined for assessment purposes only in FDIC regulations:			
a. Nontraditional 1–4 family residential mortgage loans	N025		M.7.a.
b. Securitizations of nontraditional 1–4 family residential mortgage loans	N026		M.7.b.
8. "Higher-risk consumer loans" as defined for assessment purposes only in FDIC regulations:			
a. Higher-risk consumer loans	N027		M.8.a.
b. Securitizations of higher-risk consumer loans	N028		M.8.b.
9. "Higher-risk commercial and industrial loans and securities" as defined for assessment purposes only in FDIC regulations:			
a. Higher-risk commercial and industrial loans and securities	N029		M.9.a.
b. Securitizations of higher-risk commercial and industrial loans and securities	N030		M.9.b.
10. Commitments to fund construction, land development, and other land loans secured by real estate:			
a. Total unfunded commitments	K676		M.10.a.
b. Portion of unfunded commitments guaranteed or insured by the U.S. government (including the FDIC)	K677		M.10.b.
11. Amount of other real estate owned recoverable from the U.S. government under guarantee or insurance provisions (excluding FDIC loss-sharing agreements)	K669		M.11.
12. Nonbrokered time deposits of more than $250,000 in domestic offices (included in Schedule RC-E, Part I, Memorandum item 2.d)	K678		M.12.
Memorandum item 13.a is to be completed by "large institutions" and "highly complex institutions" as defined in FDIC regulations. Memorandum items 13.b through 13.h are to be completed by "large institutions" only.			
13. Portion of funded loans and securities guaranteed or insured by the U.S. government (including FDIC loss-sharing agreements):			
a. Construction, land development, and other land loans secured by real estate	N177		M.13.a.
b. Loans secured by multifamily residential and nonfarm nonresidential properties	N178		M.13.b.
c. Closed-end loans secured by first liens on 1–4 family residential properties	N179		M.13.c.
d. Closed-end loans secured by junior liens on 1–4 family residential properties and revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit	N180		M.13.d.
e. Commercial and industrial loans	N181		M.13.e.
f. Credit card loans to individuals for household, family, and other personal expenditures	N182		M.13.f.
g. All other loans to individuals for household, family, and other personal expenditures	N183		M.13.g.
h. Non-agency residential mortgage-backed securities	M963		M.13.h.
Memorandum items 14 and 15 are to be completed by "highly complex institutions" as defined in FDIC regulations.			
14. Amount of the institution's largest counterparty exposure	K673		M.14.
15. Total amount of the institution's 20 largest counterparty exposures	K674		M.15.

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SCHEDULE RC-O – OTHER DATA FOR DEPOSIT INSURANCE ASSESSMENTS

General Instructions

Each FDIC-insured depository institution must complete items 1 and 2, 4 through 9, 10, and 11; Memorandum item 1; and, if applicable, items 3 and 9.a and Memorandum items 2 and 3 (and Memorandum item 4 on the FFIEC 031 report) each quarter. Each "large institution" and each "highly complex institution," which generally are FDIC-insured depository institutions with $10 billion or more in total assets, must complete Memorandum items ~~6~~5 through 12, 13.a, 16, and 18 and, if applicable, Memorandum item 17 each quarter. In addition, each "large institution" must complete Memorandum items 13.b through 13.h and each "highly complex institution" must complete Memorandum items 14 and 15 each quarter. The terms "large institution" and "highly complex institution" are more fully described in the General Instructions preceding Memorandum item ~~6~~5.

Each separately chartered depository institution that is insured by the FDIC has a unique FDIC certificate number. When one FDIC-insured institution owns another FDIC-insured institution as a subsidiary, the parent institution should complete items 1 through 11 (except item 9.a) and Memorandum items 1 through 3 (and Memorandum item 4 on the FFIEC 031 report) of Schedule RC-O by accounting for the insured institution subsidiary under the equity method of accounting instead of consolidating it, i.e., on an "unconsolidated single FDIC certificate number basis." Thus, each FDIC-insured institution should report only its own amounts in items 1 through 11 (except item 9.a) and Memorandum items 1 through 3 (and Memorandum item 4 on the FFIEC 031 report) of Schedule RC-O under its own FDIC certificate number without eliminating the parent and subsidiary institutions' intercompany balances. (However, an FDIC-insured institution that owns another FDIC-insured institution should complete item 9.a by consolidating its subsidiary institution.) In contrast, when an FDIC-insured institution has entities other than FDIC-insured institutions that must be consolidated for purposes of Schedule RC, Balance Sheet, the parent institution should complete items 1 through 11 and Memorandum items 1 through 3 (and Memorandum item 4 on the FFIEC 031 report) of Schedule RC-O on a consolidated basis with respect to these other entities.

"Large institutions" and "highly complex institutions," including those that own another FDIC-insured institution as a subsidiary, should complete Memorandum items ~~6~~5 through 18, as appropriate, on a fully consolidated basis.

Item Instructions

Item No.	Caption and Instructions
1	**Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.** Report on an unconsolidated single FDIC certificate number basis the gross total deposit liabilities as of the calendar quarter-end report date that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting allowable exclusions from total deposits. An institution's gross total deposit liabilities are the combination of: • All deposits in "domestic offices" reported in Schedule RC, item 13.a; • All deposits in "foreign offices" reported in Schedule RC, item 13.b, on the FFIEC 031 report; • Interest accrued and unpaid on deposits in "domestic offices" reported in Schedule RC-G, item 1.a; • Interest accrued and unpaid on deposits in "foreign offices" included in Schedule RC-G, item 1.b; • Uninvested trust funds held in the institution's own trust department; • Deposits of consolidated subsidiaries (except any consolidated subsidiary that is an FDIC-insured institution) and the interest accrued and unpaid on such deposits;

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Memoranda

Item No.	**Caption and Instruction**
2 (cont.)	(7) For all other deposit accounts, the bank should make a reasonable estimate of the portion of these deposits that is uninsured using the data available from its information systems. In developing this estimate, if the bank has automated information systems in place that enable it to identify jointly owned accounts and estimate the deposit insurance coverage of these deposits, the higher level of insurance afforded these joint accounts should be taken into consideration. Similarly, if the bank has automated information systems in place that enable it to classify accounts by deposit owner and/or ownership capacity, the bank should incorporate this information into its estimate of the amount of uninsured deposits by aggregating accounts held by the same deposit owner in the same ownership capacity before applying the $250,000 insurance limit. Ownership capacities include, but are not limited to, single ownership, joint ownership, business (excluding sole proprietorships), revocable trusts, irrevocable trusts, and retirement accounts. In the absence of automated information systems, a bank may use nonautomated information such as paper files or less formal knowledge of its depositors if such information provides reasonable estimates of appropriate portions of its uninsured deposits. A bank's use of such nonautomated sources of information is considered appropriate unless errors associated with the use of such sources would contribute significantly to an overall error in the FDIC's estimate of the amount of insured and uninsured deposits in the banking system.
3	**Has the reporting institution been consolidated with a parent bank or savings association in that parent bank's or parent savings association's Call Report?** If the reporting institution is owned by another bank or savings association and that parent bank or parent savings association is consolidating the reporting institution as part of the parent institution's Call Report for this report date, report the legal title and FDIC Certificate Number of the parent institution in this item.

NOTE: Memorandum item 4 is applicable only to banks filing the FFIEC 031 report form.

4	**Dually payable deposits in the reporting institution's foreign branches.** Report the amount of deposits included in Schedule RC, item 13.b, Deposits "In foreign offices, Edge and Agreement subsidiaries, and IBFs," that are carried on the books and records of an office of the reporting institution located outside of any state and payable at both that office and a branch of the reporting institution in any state. For purposes of this item, the term "state" is defined in Section 3(a)(3) of the Federal Deposit Insurance Act and means "any State of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, the Virgin Islands, and the Northern Mariana Islands." Exclude deposits held in Overseas Military Banking Facilities operated under Department of Defense regulations, 32 CFR Parts 230 and 231. Such facilities are not considered offices located outside any state of the United States. Deposits at Overseas Military Banking Facilities are to be reported in Schedule RC-E, Part I, as deposits in domestic offices.
~~**5**~~	~~Not applicable.~~

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General Instructions for Schedule RC-O, Memorandum items ~~6~~5 through 18

Memorandum items ~~6~~5 through 18 are applicable only to large institutions and/or highly complex institutions as defined below. Amounts reported in Memorandum items 6 through 9, 14, 15, and 18 will not be made available to the public on an individual institution basis. Large institutions and highly complex institutions should complete Memorandum items ~~6~~5 through 18, as appropriate, on a fully consolidated basis. Thus, when a large institution or highly complex institution owns another FDIC-insured institution as a subsidiary, it should complete Memorandum items ~~6~~5 through 18, as appropriate, on a fully consolidated basis.

According to Section 327.8(f) of the FDIC's regulations, a large institution is an FDIC-insured bank or savings association that reported total assets of $10 billion or more as of December 31, 2006, that does not meet the definition of a highly complex institution. After December 31, 2006, if a bank or savings association classified as a small institution in accordance with Section 327.8(e) of the FDIC's regulations reports total assets of $10 billion or more for four consecutive quarters, the bank or savings association will be classified as a large institution beginning the following quarter. In the Consolidated Reports of Condition and Income, an FDIC-insured depository institution's total assets are reported in Schedule RC, item 12.

An institution that has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a (and further described in the General Instructions for Schedule RC-R, Part I), shall be classified as a small institution for deposit insurance assessments, even if that institution otherwise would be classified as a large institution.[1]

According to Section 327.8(g) of the FDIC's regulations, a highly complex institution is an FDIC-insured bank or savings association (excluding a credit card bank[2]) that:

(1) Has had $50 billion or more in total assets for at least four consecutive quarters that either is controlled by a U.S. parent holding company that has had $500 billion or more in total assets for four consecutive quarters, or is controlled by one or more intermediate U.S. parent holding companies that are controlled by a U.S. holding company that has had $500 billion or more in total assets for four consecutive quarters; or

(2) Is a processing bank or trust company that has had $10 billion or more in total assets for at least four consecutive quarters. According to Section 327.8(s) of the FDIC's regulations, a processing bank or trust company is "an institution whose last three years' non-lending interest income, fiduciary revenues, and investment banking fees, combined, exceed 50 percent of total revenues (and its last three years fiduciary revenues are non-zero), and whose total fiduciary assets total $500 billion or more."

[1] An institution that has a CBLR framework election in effect as of the quarter-end report date that meets the definition of an established depository institution under 12 CFR 327.8(k), generally one that has been federally insured for at least five years, will be assessed as an established small institution. An institution that has a CBLR framework election in effect as of the quarter-end report date that has been federally insured for less than five years will be assessed as a new small institution under 12 CFR 327.8(w). An institution that has a CBLR framework election in effect as of the quarter-end report date with assets between $5 and $10 billion cannot request to be treated as a large institution for deposit insurance assessments under 12 CFR 327.16(f).

[2] As defined in Section 327.8(t) of the FDIC's regulations, a credit card bank is "a bank for which credit card receivables plus securitized receivables exceed 50 percent of assets plus securitized receivables."

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General Instructions for Schedule RC-O, Memorandum items ~~6~~5 through 18 (cont.)

If, after December 31, 2010, a bank or savings association classified as a highly complex institution falls below $50 billion in total assets for four consecutive quarters, or its parent company or companies fall below $500 billion in total assets for four consecutive quarters, or a processing bank or trust company falls below $10 billion in total assets for four consecutive quarters, the FDIC will reclassify the bank or savings association as a large institution or a small institution, as appropriate,[1] beginning the quarter after the fourth consecutive quarter.

Amounts Guaranteed or Insured by the U.S. Government, its Agencies, or its Government-Sponsored Agencies – The instructions for Schedule RC-O, Memorandum items 6, 11, and 16 refer to amounts recoverable from, or guaranteed or insured by, the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions. Examples include guarantees or insurance (or reinsurance) provided by the Department of Veterans Affairs, the Federal Housing Administration, the Small Business Administration (SBA), the Department of Agriculture Rural Development Loan Program, and the Department of Education for individual loans as well as coverage provided by the FDIC under loss-sharing agreements. For loan securitizations and securities, examples include those guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) as well as SBA Guaranteed Loan Pool Certificates and securities covered by FDIC loss-sharing agreements. However, if an institution holds securities backed by mortgages it has transferred to Fannie Mae or Freddie Mac with recourse or other transferor-provided credit enhancements, these securities should not be considered guaranteed to the extent of the institution's maximum contractual credit exposure arising from the credit enhancements.

Amounts Guaranteed or Insured by the U.S. Government – The instructions for Schedule RC-O, Memorandum items 7 through 10, 13, and 18 refer to the maximum amounts recoverable from the U.S. Government. Amounts recoverable from the U.S. government do *not* include amounts recoverable from government-sponsored agencies (also known as government-sponsored enterprises) including the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Home Loan Banks, and the Farm Credit System.

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[1] An institution that has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a (and further described in the General Instructions for Schedule RC-R, Part I), shall be classified as a small institution, even if that institution otherwise would be classified as a large institution.

Memoranda

General Instructions for Schedule RC-O, Memorandum items ~~6~~5 through 18 (cont.)

NOTE: Because certain information on coverage under FDIC loss-sharing agreements is reported elsewhere in the Consolidated Reports of Condition and Income, the treatment of FDIC loss-sharing agreements varies in Schedule RC-O, Memorandum items 6 through 9, 10.b, 11, 13, 16, and 18.

Higher-risk Securitizations – For purposes of Schedule RC-O, Memorandum items 7.b, 8.b, and 9.b, higher-risk securitizations are securitizations where more than 50 percent of the assets backing the securitization meet the criteria for "nontraditional 1-4 family residential mortgage loans," "higher-risk consumer loans," or "higher-risk commercial and industrial loans and securities" as those terms are defined in the instructions for Schedule RC-O, Memorandum items 7.a, 8.a, and 9.a, and in Appendix C to Subpart A to Part 327 of the FDIC's regulations.

Item No. Caption and Instructions

NOTE: Memorandum items ~~6~~5 through 12 are to be completed on a fully consolidated basis by "large institutions" and "highly complex institutions."

NOTE: Schedule RC-O, Memorandum item 5, is to be completed only by large and highly complex institutions that have adopted ASU 2016-13, which addresses the accounting for credit losses, and report having a current expected credit losses (CECL) transition election in effect as of the current report date in Schedule RC-R, Part I, item 2.a.

5 Applicable portion of the CECL transitional amount or modified CECL transitional amount that has been added to retained earnings for regulatory capital purposes as of the current report date and is attributable to loans and leases held for investment.

For an institution that has a 3-year CECL transition election in effect as of the current report date (i.e., an institution that entered a "1" in Schedule RC-R, Part I, item 2.a), report the applicable portion of the CECL transitional amount that has been added to retained earnings for regulatory capital purposes as of the current report date (as reported in Schedule RC-R, Part I, item 2) and is attributable to loans and leases held for investment (hereafter, loans and leases).

- As defined in section 301 of the regulatory capital rule,[1] the term "CECL transitional amount" means the difference, net of any deferred tax assets (DTAs), in the amount of an institution's retained earnings as of the beginning of the fiscal year in which the institution adopts the ~~current expected credit losses~~CECL methodology ~~(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. Thus, the CECL transitional amount reflects the effect on retained earnings, net of any DTAs, of establishing allowances for credit losses in accordance with CECL on loans and leases, held-to-maturity debt securities, other financial assets measured at amortized cost, and off-balance sheet credit exposures as of the beginning of the fiscal year of adoption (e.g., January 1, 2020).
- The CECL transitional amount attributable to loans and leases is the CECL transitional amount that remains after excluding the adoption date effect on retained earnings, net of any DTAs, of establishing allowances for credit losses in accordance with CECL on held-to-maturity debt securities, other financial assets measured at amortized cost, and off-balance sheet credit exposures.

For a 3-year CECL electing institution, the applicable portion of the CECL transitional amount attributable to loans and leases is 75 percent of the institution's CECL transitional amount

[1] See 12 CFR 3.301 (OCC); 12 CFR 217.301 (Board); and 12 CFR 324.301 (FDIC).

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Item No.	Caption and Instructions

5 (cont.)	attributable to loans and leases during the first year of the transition period (as defined for the 3-year CECL transition provision in section 301 of the regulatory capital rule); 50 percent of its CECL transitional amount attributable to loans and leases during the second year of the transition period; and 25 percent of its CECL transitional amount attributable to loans and leases during the third year of the transition period.
	
	For an institution that has a 5-year 2020 CECL transition election in effect as of the current report date (i.e., an institution that entered a "2" in Schedule RC-R, Part I, item 2.a), report the applicable portion of the modified CECL transitional amount that has been added to retained earnings for regulatory capital purposes reported as of the current report date (as reported in Schedule RC-R, Part I, item 2) and is attributable to loans and leases.
	• As defined in section 2 of the regulatory capital rule,[1] the term "adjusted allowances for credit losses" (AACL) means, with respect to an institution that has adopted CECL, valuation allowances that have been established through a charge against earnings or retained earnings for expected credit losses on financial assets measured at amortized cost and a lessor's net investment in leases that have been established to reduce the amortized cost basis of the assets to amounts expected to be collected as determined in accordance with U.S. generally accepted accounting principles (GAAP). The AACL includes allowances for expected credit losses on off-balance sheet credit exposures not accounted for as insurance as determined in accordance with GAAP. The AACL excludes "allocated transfer risk reserves" and allowances created that reflect credit losses on purchased credit deteriorated assets and available-for-sale debt securities.
	• Consistent with the definition of the term "modified CECL transitional amount" in section 301 of the regulatory capital rule, the modified CECL transitional amount attributable to loans and leases is the CECL transitional amount attributable to loans and leases, as described above, plus:
	  ○ During the first two years of the transition period, the difference between the AACL on loans and leases as reported in the Call Report as of the current report date and the AACL on loans and leases as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25; and
	  ○ During the last three years of the transition period, the difference between the AACL on loans and leases as reported in the Call Report at the end of the second year of the transition period and the AACL on loans and leases as of the beginning of the fiscal year in which the institution adopts CECL multiplied by 0.25.
	
	For a 5-year CECL electing institution, the applicable portion of the modified CECL transitional amount attributable to loans and leases is 100 percent of the institution's modified CECL transitional amount attributable to loans and leases during the first and second years of the transition period (as defined for the 5-year 2020 CECL transition provision in section 301 of the regulatory capital rule); 75 percent of its modified CECL transitional amount attributable to loans and leases during the third year of the transition period; 50 percent of its modified CECL transitional amount attributable to loans and leases during the fourth year of the transition period; and 25 percent of its modified CECL transitional amount attributable to loans and leases during the fifth year of the transition period.
	
	For further information on the CECL transition provisions, see the "3-Year and 5-Year 2020 CECL Transition Provisions" section of the General Instructions for Schedule RC-R, Part I, and section 301 of the regulatory capital rule.

[1] See 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC).

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Memoranda

Item No.	Caption and Instructions
6	**Criticized and classified items.** Criticized and classified items should be reported on a consolidated basis and include all on- and off-balance sheet items an institution or its primary federal regulator has graded Special Mention or worse (Substandard, Doubtful, or Loss). Such items include, but are not limited to, retail items adversely classified under the agencies' Uniform Retail Credit Classification and Account Management Policy, securities, funded and unfunded loans,[1] other real estate owned, other assets, and marked-to-market counterparty positions (less credit valuation adjustments for these counterparty positions).[2] Criticized and classified items exclude loans and securities reported as trading assets, and the amount recoverable on an on- or off-balance sheet item from the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions, including FDIC loss-sharing agreements. For purposes of the criticized and classified items definition, Loss items include any items graded Loss that have not yet been written off against the allowance for loan and lease losses (or another valuation allowance) or charged directly to earnings, as appropriate. However, because an item should be written off or charged off in the period in which the item is deemed Loss, the amount reported in Memorandum item 6.d, below, generally should be zero. A marked-to-market counterparty position is equal to the sum of the net marked-to-market derivative exposures for each counterparty. The net marked-to-market derivative exposure equals the sum of all positive marked-to-market exposures net of legally enforceable netting provisions and net of all collateral held under a legally enforceable Credit Support Annex plus any exposure where excess collateral has been posted to the counterparty. For purposes of this item, a marked-to-market counterparty position less any credit valuation adjustment can never be less than zero.

[1] The amount of the unfunded loan that should be reported as criticized or classified should equal the amount that the borrower is entitled to draw upon as of the reporting date, i.e., the unused commitment as defined in the instructions for Schedule RC-L, item 1.

[2] An institution that has not previously measured its marked-to-market counterparty positions net of any applicable credit valuation adjustments for purposes of reporting criticized and classified items internally and to its primary federal regulator may report these positions in this same manner in Schedule RC-O, Memorandum item 6, particularly if the institution concludes that updating its reporting systems to net these adjustments would impose an undue burden on the institution.

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