FFIEC 051

CALL REPORT

INSTRUCTION BOOK UPDATE

SEPTEMBER 2021

FILING INSTRUCTIONS

NOTE: This update for the instruction book for the FFIEC 051 Call Report is designed for two-sided (duplex) printing. The pages listed in the column below headed "Remove Pages" are no longer needed in the *Instructions for Preparation of Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than $5 Billion* (FFIEC 051) and should be removed and discarded. The pages listed in the column headed "Insert Pages" are included in this instruction book update and should be filed promptly in your instruction book for the FFIEC 051 Call Report.

Remove Pages	**Insert Pages**
Cover Page (6-21)	Cover Page (9-21)
v (9-20)	v (9-21)
5 – 6 (3-20)	5 – 6 (9-21)
RI-17 – RI-18b (12-20)	RI-17 – RI-18b (9-21)
RI-A-5 – RI-A-6 (12-20)	RI-A-5 – RI-A-6 (9-21)
RC-E-5 (6-21)	RC-E-5 (9-21)
RC-E-11 – RC-E-14a (9-19, 6-21)	RC-E-11 – RC-E-14a (9-21)
RC-G-3 (3-20)	RC-G-3 (9-21)
RC-M-1 – RC-M-2 (3-21)	RC-M-1 – RC-M-2 (9-21)
RC-M-19 – RC-M-20 (6-21)	RC-M-19 – RC-M-20 (9-21)
RC-R-2a – RC-R-2d (3-21)	RC-R-2a – RC-R-2d (9-21)
RC-R-33 – RC-R-34 (3-21)	RC-R-33 – RC-R-34 (9-21)
RC-R-77 – RC-R-78 (6-21)	RC-R-77 – RC-R-78 (9-21)
RC-T-1 – RC-T-4 (6-21)	RC-T-1 – RC-T-4 (9-21)
RC-T-5 – RC-T-6 (6-21)	RC-T-5 – RC-T-6 (9-21)
RC-T-11 – RC-T-14 (12-09, 6-18)	RC-T-11 – RC-T-14 (9-21)
A-11 – A-14 (6-21)	A-11 – A-14 (9-21)
A-16a – A-16b (3-20)	A-16a – A-16b (9-21)
A-53 – A-54 (6-21)	A-53 – A-54 (9-21)
A-81 – A-82 (3-20)	A-81 – A-82 (9-21)
A-93 – A-98 (3-17, 6-21)	A-93 – A-98 (9-21)

Instructions for Preparation of

Consolidated Reports of Condition and Income

FFIEC 051

Updated September 2021

This page intentionally left blank.

GLOSSARY (cont.)

This page intentionally left blank.

(10) Schedule RC-F, items 6.a through 6.j, on components of all other assets;

(11) Schedule RC-G, items 4.a through 4.h, on components of all other liabilities;

(12) Schedule RC-L, items 9.c through 9.f, on components of all other off-balance sheet liabilities;

(13) Schedule RC-L, items, 10.b through 10.e, on components of all other off-balance sheet assets;

(14) Schedule RC-L, items 11.a and 11.b, on year-to-date merchant credit card sales volume;

(15) Schedule RC-M, items 8.a through 8.c, on website addresses and physical office trade names;

(16) Schedule RC-N, Memorandum items 1.a.(1) through 1.f.(5), columns A through C, on loans restructured in troubled debt restructurings by loan category that are past due 30 days or more and still accruing or are on nonaccrual;

(17) Schedule RC-N, Memorandum item, 5, columns A through C, on past due and nonaccrual loans and leases held for sale;

(18) Schedule RC-N, Memorandum items 7 and 8, on additions to and sales of nonaccrual assets during the previous six months;

(19) Schedule RC-N, Memorandum items 9.a and 9.b, columns A through C, on purchased credit-impaired loans.

(20) Schedule RC-R, Part II, items 1 through 25, columns A through U, as applicable, on the risk weighting of assets and other exposures for risk-based capital purposes; and

(21) Schedule RC-R, Part II, Memorandum item 1, on the current credit exposure of all derivatives and Memorandum items 2 and 3, columns A through C, on the notional amounts of derivatives by remaining maturity and underlying risk exposure.

The following items are to be completed semiannually as of the June and December 31 report dates only by institutions with $1 billion or more in total assets (measured as of June 30 of the preceding year) filing the FFIEC 051:

(1) Schedule RI-C, items 1 through 6, columns A and B, on disaggregated data on the allowance for loan and lease losses or the allowance for credit losses on loans and leases, as applicable; and

(2) For institutions that have adopted ASU 2016-13, which governs the accounting for credit losses, Schedule RI-C, items 7 through 11, on disaggregated data on the allowance for credit losses on held-to-maturity debt securities.

In addition, in Schedule RC-M, information on “International remittance transfers offered to consumers,” is to be provided in item 16.a and, if appropriate, in items 16.b.(1) through 16.b.(3) annually as of the December 31 report date.

Differences in Detail of Reports

The amount of detail required to be reported varies between the three versions of the Call Report forms, with the report form for banks with foreign offices or with total consolidated assets of $100 billion or more (FFIEC 031) having more detail than the report form for banks with domestic offices only and total consolidated assets of less than $100 billion (FFIEC 041). The report form for banks with domestic offices only and total assets less than $5 billion (FFIEC 051) has the least amount of detail of the three reports.

Furthermore, as discussed below under Shifts in Reporting Status, the amount of detail also varies within each report form, primarily based on the size of the bank. See the General Instructions section of the instruction book for the FFIEC 031 and the FFIEC 041 for information on the differences in the level of detail within the FFIEC 031 and the FFIEC 041 report forms.

Differences in the level of detail within the FFIEC 051 report form are as follows:

(1) Banks with specified loan categories included in Schedule RC-C, Part I, Memorandum item 1.f, "All other loans" that exceed 10 percent of total loans restructured in troubled debt restructurings (TDRs) that are in compliance with their modified terms must report the amount of such TDRs in Memorandum items 1.f.(1), 1.f.(4)(a), 1.f.(4)(b), and 1.f.(4)(c).

(2) Banks that reported closed-end loans with negative amortization features secured by 1–4 family residential properties in Schedule RC-C, Part I, Memorandum item 8.a, as of the preceding December 31 that exceeded the lesser of $100 million or 5 percent of total loans and leases held for investment and held for sale must report certain additional information on these loans in Schedule RC-C, Part I, Memorandum items 8.b and 8.c, and Schedule RI, Memorandum item 12, annually in the December report only.

(3) Banks that reported construction, land development, and other land loans in Schedule RC-C, Part I, item 1.a, that exceeded 100 percent of total capital as of the preceding December 31 must report certain information on loans in this loan category with interest reserves in Schedule RC-C, Part I, Memorandum items 13.a and 13.b.

(4) Banks that reported in Schedule RC-M, item 16.b, that they provided more than 100 international remittance transfers in the previous calendar year or that they estimate that they will provide more than 100 international remittance transfers in the current calendar year must report certain additional information on their international remittance transfer activities during specified periods in Schedule RC-M, items 16.c and 16.d.

(5) Banks with specified loan categories included in Schedule RC-N, Memorandum item 1.f, "All other loans" that exceed 10 percent of total loans restructured in troubled debt restructurings (TDRs) that are past due 30 days or more or are in nonaccrual status must report the amount of such TDRs in Memorandum items 1.f.(1), 1.f.(4)(a), 1.f.(4)(b), and 1.f.(4)(c).

(6) Banks with total fiduciary assets greater than $250 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must report information on their fiduciary and related services income and on fiduciary settlements and losses in Schedule RC-T.

(7) Banks with total fiduciary assets greater than $100 million but less than or equal to $250 million (as of the preceding December 31) and with gross fiduciary and related services income less than or equal to 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must report information on fiduciary settlements and losses in Schedule RC-T.

(8) Banks with collective investment funds and common trust funds with a total market value of $1 billion or more as of the preceding December 31 must report a breakdown of these funds by type of fund in Schedule RC-T, Memorandum items 3.a through 3.g, quarterly or annually, as appropriate.

(9) Banks that, for each of the two calendar quarters preceding the current calendar quarter, had either (a) more than $10 million in sales of 1-4 family residential mortgage loans during the calendar quarter, or (b) more than $10 million in 1-4 family residential mortgage loans held for sale or trading at calendar quarter-end must complete Schedule SU, items 2.a and 2.b.

Item No.	Caption and Instructions

5.l (cont.)

(19) Interest income from advances to, or obligations of, and the bank's proportionate share of the income or loss before discontinued operations from its investments in:
- unconsolidated subsidiaries,
- associated companies,
- corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence, and
- noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting")

other than those that are principally engaged in (a) securities brokerage, investment banking, advisory, or securities underwriting activities or (b) insurance and reinsurance underwriting or insurance and annuity sales activities (the income from which should be reported in Schedule RI, items 5.d.(1) and 5.d.(2), respectively). Exclude the bank's proportionate share of the results of discontinued operations of these entities (report in Schedule RI, item 11, "Discontinued operations, net of applicable income taxes").

(20) Net gains (losses) on derivative instruments held for purposes other than trading that are not designated as hedging instruments in hedging relationships that qualify for hedge accounting in accordance with ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities"). Institutions should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.d. For further information, see the Glossary entries for "derivative contracts" and "trading account."

(21) Gross income generated by securities contributed to charitable contribution Clifford Trusts.

(22) Income from ground rents and air rights.

(23) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule RC at fair value under a fair value option (excluding servicing assets and liabilities reported in Schedule RC, item 10, "Intangible assets," and Schedule RC, item 20, "Other liabilities," respectively) resulting from the periodic marking of such assets and liabilities to fair value. Exclude interest income earned and interest expense incurred on financial assets and liabilities reported at fair value under a fair value option, which should be reported in the appropriate interest income or interest expense items on Schedule RI. Also exclude the portion of the total change in the fair value of a fair value option liability resulting from a change in the instrument-specific credit risk ("own credit risk"), which should be reported in Schedule RI-A, item 10, "Other comprehensive income."

(24) Gains on bargain purchases recognized and measured in accordance with ASC Topic 805, Business Combinations.

(25) Revenue from venture capital activities (which may be a net gain or loss), which generally involves the providing of funds, whether in the form of loans or equity, and technical and management assistance, when needed and requested, to start-up or high-risk companies specializing in new technologies, ideas, products, or processes. For further information, see the instructions for Schedule RI, item 5.e, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

(26) Fee income (other than servicing fees and commercial paper placement fees) from the bank's securitization and structured finance transactions. (Report income from servicing securitized assets in Schedule RI, item 5.f, and fee income from the placement of commercial paper in Schedule RI, item 5.d.(1)).

Item No. **Caption and Instructions**

5.l (cont.) (27) Income from non-conditional grants[1], or the portion of conditional grants for which all conditions have been satisfied, recognized in accordance with ASC Subtopic 958-605, Not-For-Profit Entities. Under this Subtopic, not-for-profit and business entities report grants received as revenue (i.e., income). Although the scope of ASC Subtopic 958-605 excludes contributions made by governmental entities to business (for-profit) entities, including depository institutions, entities scoped out of ASC 958-605 are not precluded from applying it by analogy when appropriate.

Exclude from Schedule RI, item 5.l, "Other noninterest income," income from seller's interests and residual interests retained by the bank in the bank's own securitization transactions (report in the appropriate subitem of Schedule RI, item 1, "Interest income").

5.m **Total noninterest income.** Report the sum of items 5.a through 5.l.

6.a **Realized gains (losses) on held-to-maturity securities.** Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.a, "Held-to-maturity securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Institutions that have not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses, should also include in this item other-than-temporary impairment losses on individual held-to-maturity securities that must be recognized in earnings. For further information on the accounting for impairment of held-to-maturity securities, see the Glossary entry for "securities activities."

Institutions that have adopted ASU 2016-13 should adjust the amortized cost of a held-to-maturity debt security for recoveries of any prior charge-offs when calculating the realized gain or loss on the security, such that the recovery of a previously charged-off amount should be recorded as a credit to the allowance for credit losses before recognizing the gain.

If the amount to be reported in this item is a net loss, report it with a minus (-) sign.

Exclude from this item realized gains (losses) on available-for-sale securities (report in Schedule RI, item 6.b, below) and on trading securities (report as trading revenue in Schedule RI, item 5.l, "Other noninterest income").

6.b **Realized gains (losses) on available-for-sale debt securities.** Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all debt securities reportable in Schedule RC, item 2.b, "Available-for-sale debt securities." The realized gain or loss on a debt security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Institutions that have not adopted ASU 2016-13 should also include in this item other-than-temporary impairment losses on individual available-for-sale debt securities that must be recognized in earnings. For further information on the accounting for impairment of available-for-sale debt securities, see the Glossary entry for "Securities Activities."

Institutions that have adopted ASU 2016-13 should adjust the amortized cost of an available-for-sale debt security for recoveries of any prior charge-offs when calculating the realized gain or loss on the security, such that the recovery of a previously charged-off amount should be recorded as a credit to the allowance for credit losses before recognizing the gain.

[1] For the purposes of these instructions, the term 'grant' will refer to non-reciprocal contributions of cash from governmental or non-governmental entities that are accounted for in accordance with or by analogy to ASC Subtopic 958-605. These instructions do not address nonmonetary contributions of assets, such as a building, in exchange transactions.

Item No.	Caption and Instructions

6.b (cont.) Also include in this item any write-off recorded when the fair value of an available-for-sale debt security is less than its amortized cost basis and (a) the institution intends to sell the security or (b) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis. If the amount to be reported in this item is a net loss, report it with a minus (-) sign.

Exclude from this item:

(1) The change in net unrealized holding gains (losses) on available-for-sale debt securities during the calendar year to date (report in Schedule RI-A, item 10, "Other comprehensive income").

(2) Realized and unrealized gains (losses) during the calendar year to date on equity securities with readily determinable fair values not held for trading (report in Schedule RI, item 8.b, "Change in net unrealized holding gains (losses) on equity securities not held for trading").

(3) Realized gains (losses) on held-to-maturity securities (report in Schedule RI, item 6.a, above) and on trading securities (report in Schedule RI, item 5.c, "Trading revenue").

(4) For institutions that have adopted ASU 2016-13, provisions for credit losses (and reversals of provisions) that increase (and decrease) the allowance for credit losses on available-for-sale debt securities (report in Schedule RI, item 4, "Provision for loan and lease losses").

7 **Noninterest expense:**

7.a **Salaries and employee benefits.** Report salaries and benefits of all officers and employees of the bank and its consolidated subsidiaries including guards and contracted guards, temporary office help, dining room and cafeteria employees, and building department officers and employees (including maintenance personnel). Include as employees individuals who, in form, are employed by an affiliate but who, in substance, do substantially all of their work for the reporting bank. However, banking organizations should not segregate the compensation component of other intercompany cost allocations arising from arrangements other than that described in the preceding sentence for purposes of this item.

Include as salaries and employee benefits:

(1) Gross salaries, wages, overtime, bonuses, incentive compensation, and extra compensation.

(2) Social security taxes and state and federal unemployment taxes paid by the bank.

(3) Costs of the bank's retirement plan, pension fund, profit-sharing plan, employee stock ownership plan, employee stock purchase plan, and employee savings plan. For defined benefit pension plans and other postretirement plans, report only the service cost component of net benefit cost for such plans in this item 7.a; the other cost components of net benefit cost should be reported in Schedule RI, item 7.d, "Other noninterest expense."

(4) Premiums (net of dividends received) on health and accident, hospitalization, dental, disability, and life insurance policies for which the bank is not the beneficiary.

Item No.	**Caption and Instructions**
7.a (cont.)	(5) Cost of office temporaries whether hired directly by the bank or through an outside agency.
	(6) Workmen's compensation insurance premiums.
	(7) The net cost to the bank for employee dining rooms, restaurants, and cafeterias.
	(8) Accrued vacation pay earned by employees during the calendar year-to-date.
	(9) The cost of medical or health services, relocation programs and reimbursements of moving expenses, tuition reimbursement programs, and other so-called fringe benefits for officers and employees.
	(10) Compensation expense (service component and interest component) related to deferred compensation agreements.

Item No. **Caption and Instructions**

10 (cont.) other-than-temporary impairment losses) or increases in the fair value of available-for-sale debt securities previously written down as other-than-temporarily impaired, and subsequent accretion (based on the amount and timing of future estimated cash flows) of the portion of other-than-temporary impairment losses on held-to-maturity debt securities not recognized in earnings.

(5) The change in the institution's accumulated net gains (losses) (effective portion) on derivative instruments that are designated and qualify as cash flow hedges.

(6) Gains (losses) and transition assets or obligations associated with single-employer defined benefit pension and other postretirement plans not recognized immediately as a component of net periodic benefit cost and prior service costs or credits associated with such plans, which are accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits.

(7) The portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk ("own credit risk") when the institution has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

Exclude the year-to-date change in net unrealized holding gains (losses) on equity securities with readily determinable fair values not held for trading (report in Schedule RI, item 8.b).

For further guidance on reporting other comprehensive income, see ASC Topic 220, Comprehensive Income.

11 **Other transactions with stockholders (including a parent holding company).** Report the net aggregate amount of transactions with the institution's stockholders, including its parent holding company, if any, that affect equity capital directly (other than those transactions reported in Schedule RI-A, items 5, 6, 8, and 9, above), such as:

(1) Capital contributions other than those for which stock has been issued to stockholders. Include amounts contributed to the subsidiary institution from stockholders, including grants received by a parent holding company that are in turn transferred to the subsidiary institution. Report issuances of perpetual preferred and common stock and sales of treasury stock in Schedule RI-A, items 5 and 6, respectively; issuances of limited-life preferred stock are not reported in Schedule RI-A.

(2) Dividends distributed to stockholders in the form of property rather than cash (report cash dividends in Schedule RI-A, items 8 or 9, as appropriate). Record such property dividends at the fair value of the transferred asset. Include any gain or loss recognized on the disposition of the asset in the determination of net income for the calendar year-to-date in Schedule RI, Income Statement. Refer to the Glossary entry for "dividends" for additional information on property dividends.

(3) Return-of-capital transactions in which contributed capital (i.e., surplus) is reduced without retiring stock and cash is distributed to the institution's stockholders.

State the dollar amount of and describe each transaction included in this item in Schedule RI-E, item 5.

Item No.	**Caption and Instructions**
12	**Total bank equity capital end of current period.** Report the sum of Schedule RI-A, items 3 through 11. This item must equal Schedule RC, item 27.a, "Total bank equity capital."

Item Instructions

In items 1 through 6 of Schedule RC-E, banks report separate breakdowns of their transaction and nontransaction accounts by category of depositor. When reporting brokered deposits in these items, the funds should be categorized as deposits of "Individuals, partnerships, and corporations," "States and political subdivisions in the U.S.," or "Commercial banks and other depository institutions in the U.S." based on the beneficial owners of the funds that the broker has placed in the bank. However, if this information is not readily available to the issuing bank for certain brokered deposits because current deposit insurance rules do not require the deposit broker to provide information routinely on the beneficial owners of the deposits and their account ownership capacity to the bank issuing the deposits, these brokered deposits may be rebuttably presumed to be deposits of "Individuals, partnerships, and corporations" and reported in Schedule RC-E, item 1, below. For further information, see the Glossary entry for "brokered deposits."

Item No. **Caption and Instructions**

1 **Deposits of individuals, partnerships, and corporations (include all certified and official checks).** Report in the appropriate column all deposits of individuals, partnerships, and corporations, wherever located, and all certified and official checks.

Include in this item:

(1) Deposits related to the personal, household, or family activities of both farm and nonfarm individuals and to the business activities of sole proprietorships.

(2) Deposits of corporations and organizations (other than depository institutions), regardless of whether they are operated for profit, including but not limited to:

(a) mutual funds and other nondepository financial institutions;

(b) foreign government-owned nonbank commercial and industrial enterprises; and

(c) quasi-governmental organizations such as post exchanges on military posts and deposits of a company, battery, or similar organization (unless the reporting bank has been designated by the U.S. Treasury as a depository for such funds and appropriate security for the deposits has been pledged, in which case, report in Schedule RC-E, item 2).

(3) Dealer reserve accounts (see the Glossary entry for "dealer reserve accounts" for the definition of this term).

(4) Deposits of U.S. Government agencies and instrumentalities such as the:

(a) Banks for Cooperatives,
(b) Export-Import Bank of the U.S.,
(c) Federal Deposit Insurance Corporation,
(d) Federal Financing Bank,
(e) Federal Home Loan Banks,
(f) Federal Home Loan Mortgage Corporation,
(g) Federal Intermediate Credit Banks,
(h) Federal Land Banks,
(i) Federal National Mortgage Association,
(j) National Credit Union Administration Central Liquidity Facility, and
(k) National Credit Union Share Insurance Fund.

This page intentionally left blank.

Memoranda

Item No. Caption and Instructions

1 **Selected components of total deposits.** The amounts to be reported in Memorandum items 1.a through 1.i below are included as components of total deposits (Schedule RC-E, sum of item 7, columns A and C).

NOTE: Schedule RC-E, Memorandum item 1.a, is to be completed semiannually in the June and December reports only.

1.a **Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts.** Report in this Memorandum item the total of all IRA and Keogh Plan deposits included in total deposits (Schedule RC-E, sum of item 7, columns A and C). IRAs include traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and SIMPLE IRAs.

Exclude deposits in "Section 457" deferred compensation plans and self-directed defined contribution plans, which are primarily 401(k) plan accounts. Also exclude deposits in Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts (formerly known as Education IRAs).

1.b **Total brokered deposits.** Report in this Memorandum item the total of all brokered deposits included in total deposits (Schedule RC-E, sum of item 7, columns A and C), regardless of size or type of deposit instrument. (See the Glossary entry for "brokered deposits" for the definition of this term.)

Brokered deposits include "brokered reciprocal deposits." As defined in Section 327.8(q) of the FDIC's regulations, "brokered reciprocal deposits" are "reciprocal deposits as defined in Section 337.6(e)(2)(v) of the FDIC's regulations that are not excepted from an institution's brokered deposits pursuant to Section 337.6(e)" of the FDIC's regulations.

Limited Exception for Reciprocal Deposits

Pursuant to Section 337.6(e) of the FDIC's regulations, and consistent with Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, an "agent institution" can except reciprocal deposits from being classified (and reported in this Memorandum item 1.b) as brokered deposits up to its applicable statutory caps, described below.

Definitions that apply to the limited exception for reciprocal deposits:

- "Agent institution" means an insured depository institution that places a covered deposit through a deposit placement network at other insured depository institutions in amounts that are less than or equal to the standard maximum deposit insurance amount, specifying the interest rate to be paid for such amounts, if the insured depository institution:
  - When most recently examined under section 10(d) of the Federal Deposit Insurance Act (12 U.S.C. 1820(d)) was found to have a composite condition of outstanding or good, and is well capitalized;
  - Has obtained a waiver pursuant to Section 337.6(c) of the FDIC's regulations; or
  - Does not receive an amount of reciprocal deposits that causes the total amount of reciprocal deposits held by the agent institution to be greater than its *special cap*, described below.
- "Covered deposit" means a deposit that (i) is submitted for placement through a deposit placement network by the agent institution; and (ii) does not consist of funds that were obtained for the agent institution, directly or indirectly, by or through a deposit broker before submission for placement through a deposit placement network.
- "Deposit placement network" means a network in which an insured depository institution participates, together with other insured depository institutions, for the processing and receipt of reciprocal deposits.

Memoranda

Item No. **Caption and Instructions**

1.b (cont.)

- "Network member bank" means an insured depository institution that is a member of a deposit placement network.
- "Reciprocal deposits" means deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks.

All reciprocal deposits, whether they are brokered reciprocal deposits or not, should be reported in Schedule RC-E, Memorandum item 1.g, below.

Deposits placed and received through a "deposit placement network" that are not "covered deposits" under Section 337.6(b)(2)(ii)(e)(2)(ii) of the FDIC's regulations must be reported as brokered deposits in this Memorandum item 1.b.

General Cap

Under the *general cap*, an agent institution may except reciprocal deposits from treatment as brokered deposits up to the lesser of $5 billion or an amount equal to 20 percent of the agent institution's total liabilities. An agent institution that holds reciprocal deposits in excess of the *general cap* should report such excess deposits as brokered deposits in this Memorandum item 1.b (and as brokered reciprocal deposits in Schedule RC-O, item 9, and, if applicable, item 9.a), and include such excess deposits as part of its total reciprocal deposits in Schedule RC-E, Memorandum item 1.g,

Special Cap

A *special cap* applies if the institution is either not well rated or not well capitalized.[1] The special cap is defined as:

> "the average amount of reciprocal deposits held by the agent institution on the last day of each of the 4 calendar quarters preceding the calendar quarter in which the agent institution was found not to have a composite condition of outstanding or good or was determined to be not well capitalized."

In no event, however, can an institution's non-brokered reciprocal deposits exceed the *general cap.*

An institution that is not well rated or not well capitalized may qualify as an "agent institution" if:

(1) The amount of reciprocal deposits that the institution holds as of the first reporting period of being subject to the special cap is below or equal to the special cap and, in any reporting period that it remains subject to the special cap, it does not subsequently receive reciprocal deposits that cause the total amount of reciprocal deposits to exceed the special cap; OR
(2) The amount of reciprocal deposits that it holds as of the first quarter of being subject to the special cap is above the special cap, if such deposits were received before the institution became subject to the special cap and, in any reporting period that it remains

[1] See generally, 12 CFR Part 324, Subpart H (FDIC); 12 CFR Part 208, Subpart D (Federal Reserve Board); 12 CFR Part 6 (OCC). 12 U.S.C. 1831o. "Well capitalized" is defined in 12 CFR 337.6(a)(3)(i).

Memoranda

Item No. **Caption and Instructions**

1.b (cont.) subject to the special cap, it does not subsequently receive reciprocal deposits that cause the total amount of reciprocal deposits to exceed the special cap and the institution satisfies all other qualifications necessary to be an agent institution.

If an institution, subject to the *special cap*, receives reciprocal deposits that cause its total reciprocal deposits to be greater than the *special cap*, the institution will no longer meet the definition of "agent institution" and all of its reciprocal deposits should be reported as brokered deposits in this Memorandum item 1.b (and as brokered reciprocal deposits in Schedule RC-O, item 9, and, if applicable, item 9.a) and as total reciprocal deposits in Schedule RC-E, Memorandum item 1.g.

An institution shall consider the effective date of a CAMELS composite rating to be the date of written notification to the institution by its primary federal regulator, or state authority, of its supervisory rating.

An institution that is not well capitalized or that has composite supervisory rating of other than outstanding (CAMELS "1") or good (CAMELS "2") as of the quarter-end date of the Call Report for which the institution is filing shall calculate the special cap by:

(1) Determining the most recent calendar quarter in which the institution was both well capitalized and had a composite CAMELS rating of "1" or "2" at quarter-end.
(2) Calculating the average of the total amount of reciprocal deposits held by the institution on the last day of the calendar quarter determined above (in the preceding step) and on each of the three preceding calendar quarters.

To illustrate how an institution should calculate the special cap, consider the examples after the instructions to Schedule RC-E, Memorandum item 7.

1.c **Brokered deposits of $250,000 or less (fully insured brokered deposits).** Report in this item all fully insured brokered deposits (as defined in the Glossary entry for "brokered deposits") included in Schedule RC-E, Memorandum item 1.b, above. Include brokered deposits with balances of $250,000 or less and time deposits issued to deposit brokers in the form of certificates of deposit of more than $250,000 that have been participated out by the broker in shares with balances of $250,000 or less.

In some cases, brokered certificates of deposit are issued in $1,000 amounts under a master certificate of deposit issued by a bank to a deposit broker in an amount that exceeds $250,000. For these so-called "retail brokered deposits," multiple purchases by individual depositors from an individual bank normally do not exceed the applicable deposit insurance limit (currently $250,000), but under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in $1,000 amounts may be rebuttably presumed to be fully insured brokered deposits and should be reported in this item. In addition, some brokered deposits are transaction accounts or money market deposit accounts (MMDAs) that are denominated in amounts of $0.01 and established and maintained by the deposit broker (or its agent) as agent, custodian, or other fiduciary for the broker's customers. An individual depositor's deposits within the brokered transaction account or MMDA normally do not exceed the applicable deposit insurance limit. As with retail brokered deposits, if information on these depositors and their account ownership capacity is not readily available to the bank establishing the transaction account or MMDA,

Memoranda

Item No.	Caption and Instructions
1.c (cont.)	the amounts in the transaction account or MMDA may be rebuttably presumed to be fully insured brokered deposits and should be reported in this item. The dollar amount used as the basis for reporting fully insured brokered deposits in this Memorandum item reflects the deposit insurance limit in effect on the report date. At present, the limit is $250,000 per depositor, per insured bank, for each account ownership category.
1.d	**Maturity data for brokered deposits.** Report in the appropriate subitem the indicated maturity data for brokered deposits (as defined in the Glossary entry for "brokered deposits") included in Schedule RC-E, Memorandum item 1.b, above.
1.d.(1)	**Brokered deposits of $250,000 or less with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances of $250,000 or less reported in Schedule RC-E, Memorandum item 1.c, above that have a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Also report in this item all brokered demand and savings deposits with balances of $250,000 or less that were reported in Schedule RC-E, Memorandum item 1.c, above.
1.d.(2)	Not applicable.
1.d.(3)	**Brokered deposits of more than $250,000 with a remaining maturity of one year or less.** Report in this item those brokered time deposits with balances of more than $250,000 reported in Schedule RC-E, Memorandum item 1.b, above that have a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Also report in this item all brokered demand and savings deposits with balances of more than $250,000 that were reported in Schedule RC-E, Memorandum item 1.b, above.
1.e	**Preferred deposits.** (This item is to be reported for the December 31 report only.) Report in this item all deposits of states and political subdivisions in the U.S. included in Schedule RC-E, item 3, columns A and C above, which are secured or collateralized as required under state law. Exclude deposits of the U.S. Government which are secured or collateralized as required under federal law. Also exclude deposits of trust funds which are secured or collateralized as required under state law unless the beneficiary is a state or political subdivision in the U.S. The amount reported in this memorandum item must be less than the sum of Schedule RC-E, item 3, column A, and item 3, column C, above. State law may require a bank to pledge securities (or other readily marketable assets) to cover the uninsured portion of the deposits of a state or political subdivision. If the bank has pledged securities with a value that exceeds the amount of the uninsured portion of the state or political subdivision's deposits, only the uninsured amount (and none of the insured portion of the deposits) should be reported as a "preferred deposit." For example, a political subdivision has $450,000 in deposits at a bank which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits ($200,000 in this example). The bank has pledged securities with a value of $300,000 to secure these deposits. Only the $200,000 uninsured amount of the political subdivision's $450,000 in deposits, given the currently applicable $250,000 deposit insurance limit, would be considered "preferred deposits."

Memoranda

Item No. **Caption and Instructions**

1.e (cont.) In other states, banks must participate in a state public deposits program in order to receive deposits from the state or from political subdivisions within the state in amounts that would not be covered by federal deposit insurance. Under state law in such states, the value of the securities a bank must pledge to the state is calculated annually, but represents only a percentage of the uninsured portion of its public deposits. Institutions participating in the state program may potentially be required to share in any loss to public depositors incurred in the failure of another participating institution. As long as the value of the securities pledged to the state exceeds the calculated requirement, all of the bank's uninsured public deposits are protected from loss under the operation of the state program if the bank fails and, therefore, all of the uninsured public deposits are considered "preferred deposits." For example, a bank participating in a state public deposits program has $1,600,000 in public deposits under the program from four political subdivisions and $700,000 of this amount is uninsured, given the currently applicable $250,000 deposit insurance limit. The bank's most recent calculation indicates that it must pledge securities with a value of at least $77,000 to the state in order to participate in the state program. The bank has pledged securities with an actual value of $80,000. The bank should report the $700,000 in uninsured public deposits as "preferred deposits."

1.f **Estimated amount of deposits obtained through the use of deposit listing services that are not brokered deposits.** Report in this Memorandum item the estimated amount of all nonbrokered deposits obtained through the use of deposit listing services included in total deposits (Schedule RC-E, sum of item 7, columns A and C), regardless of size or type of deposit instrument.

The objective of this Memorandum item is not to capture all deposits obtained through the Internet, such as deposits that a bank receives because a person or entity has seen the rates the bank has posted on its own Web site or on a rate-advertising Web site that has picked up and posted the bank's rates on its site without the bank's authorization. Rather, the objective of this Memorandum item is to collect the estimated amount of deposits obtained as a result of action taken by the bank to have its deposit rates listed by a listing service, and the listing service is compensated for this listing either by the bank whose rates are being listed or by the persons or entities who view the listed rates. A bank should establish a reasonable and supportable estimation process for identifying listing service deposits that meet these reporting parameters and apply this process consistently over time. However, for those nonbrokered deposits acquired through the use of a deposit listing service that offers deposit tracking, the actual amount of listing service deposits, rather than an estimate, should be reported.

When a nonbrokered time deposit obtained through the use of a deposit listing service is renewed or rolled over at maturity, the time deposit should continue to be reported in this item as a listing service deposit if the reporting institution continues to have its time deposit rates listed by a listing service and the listing service is compensated for this listing as described above. In contrast, if the reporting institution no longer has its time deposit rates listed by a listing service when a nonbrokered listing service time deposit matures and is renewed or rolled over by the depositor, the time deposit would no longer need to be reported as a listing service deposit after the renewal or rollover. The reporting institution should continue to report nonbrokered listing service deposits other than time deposits in this item as long as the reporting institution continues to have its deposit rates for the same type of deposit (e.g., NOW account, money market deposit account) listed by a listing service and the listing service is compensated for this listing as described above.

Memoranda

Item No.	Caption and Instructions
1.f (cont.)	If the reporting institution has merged with or acquired another institution that had obtained nonbrokered deposits through the use of deposit listing services, these deposits would continue to be regarded as listing service deposits after the merger or acquisition. In this situation, the reporting institution should determine whether it must continue to report these deposits as listing service deposits after the merger or acquisition in accordance with the guidance in the preceding paragraph.

Exclude from this item all brokered deposits reported in Schedule RC-E, Memorandum item 1.b.

A deposit listing service is a company that compiles information about the interest rates offered on deposits, such as certificates of deposit, by insured depository institutions. A particular company could be a deposit listing service (compiling information about certificates of deposits) as well as a deposit broker (facilitating the placement of deposits). A deposit listing service is not a deposit broker if it does not meet the “deposit broker” definition and notably the criteria under 12 CFR 337.6(a)(5)(iii) for when a person is considered “engaged in the business of facilitating the placement of deposits”:

(1) The listing service does not have legal authority, contractual or otherwise, to close the account or move the third party’s funds to another insured depository institution;

(2) The listing service is not involved in negotiating or setting rates, fees, terms, or conditions for the deposit account; or

(3) The listing service is not engaged in matchmaking activities as defined in 12 CFR 337.6(a)(5)(iii)(C)(1).

1.g **Total reciprocal deposits.** Report in this Memorandum item the total amount of the reporting institution’s reciprocal deposits as of the report date that are included in the institution’s total deposits (Schedule RC-E, sum of item 7, columns A and C). As defined in Section 337.6(e)(2)(v) of the FDIC’s regulations, “reciprocal deposits” means “deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks.”

An institution should report its total reciprocal deposits in this Memorandum item 1.g, including any reciprocal deposits that are reported as brokered deposits in Schedule RC-E, Memorandum item 1.b (and, if applicable, in Memorandum items 1.c and 1.d), and as brokered reciprocal deposits in Schedule RC-O, item 9 (and, if applicable, in item 9.a).

Memoranda

Item No.	Caption and Instructions
1.g (cont.)	In this regard, if an institution, subject to the *special cap*, receives reciprocal deposits that cause its total reciprocal deposits to be greater than the *special cap*, the institution will no longer meet the definition of "agent institution," but the institution should report all of its reciprocal deposits in this Memorandum item 1.g (and as brokered deposits in Schedule RC-E, Memorandum item 1.b, and as brokered reciprocal deposits in Schedule RC-O, item 9, and, if applicable, item 9.a). See the instructions for Schedule RC-E, Memorandum item 1.b, for the definitions of "special cap" and "agent institution." Funds obtained through a deposit placement network, with the assistance of a deposit broker, should only be reported as brokered deposits in Schedule RC-E, Memorandum item 1.b, and, if applicable, in Memorandum items 1.c and 1.d, and should not be reported in this Memorandum item 1.g as total reciprocal deposits. For an institution that is not well capitalized or not well rated, the amount reported in this Memorandum item will be used to compute the institution's average amount of reciprocal deposits held at quarter-end during the last four quarters preceding the quarter that the institution fell below well capitalized or well rated. This average will be used to determine whether the institution meets the third prong of the definition of "agent institution" under Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act and Section 337.6(e)(2)(i) of the FDIC's regulations. Section 202 and Section 337.6(e)(2)(i) allow an institution to meet the "agent institution" definition, and exclude certain reciprocal deposits from its brokered deposits, if it does not receive reciprocal deposits that cause its total reciprocal deposits to exceed the four-quarter average mentioned above.
1.h	**Sweep deposits.** Report in the appropriate subitem the indicated sweep deposit data (as defined in the Glossary entry for "sweep deposits").
1.h.(1)	**Fully insured, affiliate sweep deposits.** Report the amount of affiliate sweep deposits that are fully insured.
1.h.(2)	**Not fully insured, affiliate sweep deposits.** Report the amount of affiliate sweep deposits for which less than the entire amount of the deposits is covered by deposit insurance.
1.h.(3)	**Fully insured, non-affiliate sweep deposits.** Report the amount of non-affiliate sweep deposits that are fully insured.
1.h.(4)	**Not fully insured, non-affiliate sweep deposits.** Report the amount of non-affiliate sweep deposits for which less than the entire amount of the deposits is covered by deposit insurance.
1.i	**Total sweep deposits that are not brokered deposits.** Report the total amount of sweep deposits that are excluded from being reported as brokered deposits.
2	**Components of total nontransaction accounts.** Memorandum item 2 divides total nontransaction accounts into two major categories: savings deposits (Memorandum items 2.a.(1) and 2.a.(2)) and time deposits (Memorandum items 2.b, 2.c, and 2.d). The sum of Memorandum items 2.a.(1) and 2.a.(2) equals total savings deposits. The sum of Memorandum items 2.b, 2.c, and 2.d equals total time deposits. The sum of Memorandum items 2.a.(1) and 2.a.(2) (savings deposits) and Memorandum items 2.b, 2.c, and 2.d (time deposits) equals total nontransaction deposits reported in item 7, column C, above.

This page intentionally left blank.

Item No. **Caption and Instructions**

4 (cont.)

(14) Cash payments and other consideration received in connection with transfers of the reporting institution's other real estate owned that have been financed by the institution and do not qualify for sale accounting, which applicable accounting standards describe as a "liability," a "deposit," or a "deposit liability." See the Glossary entry for "foreclosed assets" for further information

(15) Income from the portion of conditional grants[1] received from sources other than stockholders or a parent holding company that is deferred in accordance with ASC Subtopic 958-605, Not-For-Profit-Entities, for which conditions required by the grant have not been satisfied.

Exclude from all other liabilities (report in appropriate items of Schedule RC-E, Deposit Liabilities):

(1) Proceeds from sales of U.S. savings bonds.

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

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

(4) Undisbursed loan funds for which borrowers are liable and on which they pay interest. The amounts of such undisbursed funds should be included in both loans and deposits.

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

(6) Payments collected by the bank on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.

(7) Credit balances on credit cards and other revolving credit plans as a result of customers' overpayments.

Also exclude from all other liabilities (1) due bills or similar instruments representing the bank's receipt of payment and (2) for institutions that have not adopted FASB Accounting Standards Update No. 2016-02 (ASU 2016-02) on accounting for leases, the bank's obligations under capital leases, and for institutions that have adopted ASU 2016-02, the bank's lease liabilities for finance leases (report in Schedule RC-M, item 5.b, "Other borrowings"), and (3) income earned from non-conditional grants or from the portion of conditional grants for which conditions required have been satisfied (report in Schedule RI, "Other noninterest income," item 5.l)..

5 **Total.** Report the sum of items 1 through 4. This amount must equal Schedule RC, item 20, "Other liabilities."

[1] For the purposes of these instructions, the term 'grant' will refer to non-reciprocal contributions of cash from governmental or non-governmental entities that are accounted for in accordance with or by analogy to ASC Subtopic 958-605. These instructions do not address nonmonetary contributions of assets, such as a building, in exchange transactions.

This page intentionally left blank.

SCHEDULE RC-M – MEMORANDA

Item No. **Caption and Instructions**

1 **Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date.** For purposes of this item, the terms "extension of credit," "executive officer," "director," "principal shareholder," and "related interest" are as defined in Federal Reserve Board Regulation O and 12 U.S.C. 375b(9)(D).

An "extension of credit" is a making or renewal of any loan, a granting of a line of credit, or an extending of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount to be reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. An extension of credit also includes having a credit exposure arising from a derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction. *See* Section 215.3 of Regulation O and 12 U.S.C. 375b(9)(D)(i) for further details.

Loans that are guaranteed under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) are excepted from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of Regulation O if they are not prohibited by SBA lending restrictions. Accordingly, such PPP loans should not be reported in Schedule RC-M, items 1.a and 1.b, below. See Section 215.3(b)(8) of Regulation O for further details.

An "executive officer" of the reporting bank generally means a person who participates or has authority to participate (other than in the capacity of a director) in major policymaking functions of the reporting bank, an executive officer of a bank holding company of which the bank is a subsidiary, and (unless properly excluded by the bank's board of directors or bylaws) an executive officer of any other subsidiary of that bank holding company. *See* Section 215.2(e) of Regulation O for further details.

A "director" of the reporting bank generally means a person who is a director of a bank, whether or not receiving compensation, a director of a bank holding company of which the bank is a subsidiary, and (unless properly excluded by the bank's board of directors or bylaws) a director of any other subsidiary of that bank holding company. *See* Section 215.2(d) of Regulation O for further details.

A "principal shareholder" of the reporting bank generally means an individual or a company (other than an insured bank or foreign bank) that directly or indirectly owns, controls, or has the power to vote more than ten percent of any class of voting securities of the reporting bank. *See* Section 215.2(m) of Regulation O for further details.

A "related interest" means (1) a company (other than an insured bank or a foreign bank) that is controlled by an executive officer, director, or principal shareholder or (2) a political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. *See* Section 215.2(n) of Regulation O.

1.a **Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests.** Report the aggregate amount outstanding as of the report date of all extensions of credit by the reporting bank to all of its executive officers, directors, and principal shareholders, and to all of the related interests of its executive officers, directors, and principal shareholders.

Include each extension of credit by the reporting bank in the aggregate amount only *one* time, regardless of the number of executive officers, directors, principal shareholders, and related interests thereof to whom the extension of credit has been made.

Item No. **Caption and Instructions**

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.** Report the number of executive officers, directors, and principal shareholders of the reporting bank to whom the amount of all extensions of credit by the reporting bank outstanding as of the report date equals or exceeds the lesser of $500,000 or five percent of total capital as defined for this purpose in regulations issued by the bank's primary federal bank supervisory authority.

For purposes of this item, the amount of all extensions of credit by the reporting bank to an executive officer, director, or principal shareholder includes all extensions of credit by the reporting bank to the related interests of the executive officer, director, or principal shareholder. Furthermore, an extension of credit made by the reporting bank to *more than one* of its executive officers, directors, principal shareholders, or related interests thereof must be included in full in the amount of all extensions of credit for *each* such executive officer, director, or principal shareholder.

2 **Intangible assets.** Report in the appropriate subitem the carrying amount of intangible assets. Intangible assets primarily result from business combinations accounted for under the acquisition method in accordance with ASC Topic 805, Business Combinations, from acquisitions of portions or segments of another institution's business such as mortgage servicing portfolios and credit card portfolios, and from the sale or securitization of financial assets with servicing retained.

An identifiable intangible asset with a finite life (other than a servicing asset) should be amortized over its estimated useful life and should be reviewed at least quarterly to determine whether events or changes in circumstances indicate that its carrying amount may not be recoverable. If this review indicates that the carrying amount may not be recoverable, the identifiable intangible asset should be tested for recoverability (impairment) in accordance with ASC Topic 360, Property, Plant, and Equipment. An impairment loss shall be recognized if the carrying amount of the identifiable intangible asset is not recoverable and this amount exceeds the asset's fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted expected future cash flows from the identifiable intangible asset. An impairment loss is recognized by writing the identifiable intangible asset down to its fair value (which becomes the new accounting basis of the intangible asset), with a corresponding charge to expense (which should be reported in Schedule RI, item 7.c.(2)). Subsequent reversal of a previously recognized impairment loss is prohibited.

An identifiable intangible asset with an indefinite useful life should not be amortized, but should be tested for impairment at least annually in accordance with ASC Topic 350, Intangibles-Goodwill and Other.

2.a **Mortgage servicing assets.** Report the carrying amount of mortgage servicing assets, i.e., contracts to service loans secured by real estate (as defined for Schedule RC-C, Part I, item 1, in the Glossary entry for "Loans secured by real estate") under which the estimated future revenues from contractually specified servicing fees, late charges, and other ancillary revenues are expected to more than adequately compensate the servicer for performing the servicing. A mortgage servicing contract is either (a) undertaken in conjunction with selling or securitizing the mortgages being serviced or (b) purchased or assumed separately. For mortgage servicing assets accounted for under the amortization method, the carrying amount is the unamortized cost of acquiring the mortgage servicing contracts, net of any

Item No. **Caption and Instructions**

16.b.(2) **Estimated number of international remittance transfers for which your institution applied the permanent exchange rate exception.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date for which your institution applied the permanent exchange rate exception set forth in 12 CFR § 1005.32(b)(4).

16.b.(3) **Estimated number of international remittance transfers for which your institution applied the permanent covered third-party fee exception.** Report the estimated number of international remittance transfers that your institution provided during the calendar year ending on the report date for which your institution applied the permanent covered third-party exception set forth in 12 CFR § 1005.32(b)(5).

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 extends 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.”

Item No. **Caption and Instructions**

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 extends non-recourse loans to eligible borrowers to purchase eligible assets from money market mutual funds, which is posted as collateral to the Federal Reserve Bank of Boston.

General Instructions for Schedule RC-R, Part I. (cont.)

Community Bank Leverage Ratio (CBLR) Framework in Calendar Year 2022 and Thereafter – In general, an institution may qualify for the CBLR framework if it has a leverage ratio greater than 9 percent (as reported in Schedule RC-R, Part I, item 31); has less than $10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not an advanced approaches institution;[1] 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).

Ceasing to Meet the Leverage Ratio Requirement under the CBLR Framework or Failing to Meet Any of the Other CBLR Qualifying Criteria – A qualifying institution that temporarily fails to meet any of the qualifying criteria, including the applicable leverage ratio requirement, generally would still be deemed well-capitalized so long as the institution 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 institution must meet all qualifying criteria to remain in the CBLR framework or otherwise must apply and report under the generally applicable capital rule. Similarly, an institution 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 institution ceases to satisfy any of the qualifying criteria and has a maximum period of two consecutive calendar quarters. For example, if the CBLR electing institution 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 the criteria as of the end of that quarter, the grace period for such an institution will begin as of the end of the quarter ending June 30, 2020.

The institution 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 Schedule RC-R reporting requirements) as of December 31, 2020, unless the institution once again meets all qualifying criteria of the CBLR framework, including the leverage ratio requirement qualifying criterion, before that time.

If a CBLR electing institution is in the grace period when the required community bank leverage ratio increases, the institution 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 institution 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 an institution will begin as of the end of the fourth quarter of 2020. The institution may continue to use the CBLR framework as of March 31, 2021, if the institution 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 Schedule RC-R reporting requirements) as of June 30, 2021, unless the institution 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 institution has a leverage ratio equal to or less than 7.5 percent as of

---

[1] An institution that is subject to the advanced approaches capital rule (i.e., an advanced approaches institution as defined in the federal banking agencies' regulatory capital rules) is (i) a subsidiary of a global systemically important bank holding company, as identified pursuant to 12 CFR 217.402; (ii) a Category II institution; (iii) a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 324 (FDIC) to calculate its risk-based capital requirements; (iv) a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to subpart E of 12 CFR part 217 to calculate its risk-based capital requirements; or (v) an institution that elects to use the advanced approaches to calculate its risk-based capital requirements.
Category II institutions include institutions with (1) at least $700 billion in total consolidated assets or (2) at least $75 billion in cross-jurisdictional activity and at least $100 billion in total consolidated assets. In addition, depository institution subsidiaries of Category II institutions are considered Category II institutions.

General Instructions for Schedule RC-R, Part I. (cont.)

March 31, 2021, it would not be eligible to use the CBLR framework and would be subject immediately to the requirements of the generally applicable capital rule.

3-Year and 5-Year 2020 CECL Transition Provisions

In 2019, the federal banking agencies issued a final rule that, among other provisions, revised the agencies' regulatory capital rule and included a transition option that allows institutions to phase in over a 3-year transition period the day-one effects of adopting the current expected credit losses methodology (CECL) on their regulatory capital ratios (2019 CECL rule).

In 2020, the agencies issued a final rule that provides institutions that implement CECL during the 2020 calendar year the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a 3-year transition period, thereby resulting in a 5-year transition period (2020 CECL rule).

Eligibility for, and Transition Period under, the 3-Year CECL Transition – An institution is eligible to use the 3-Year CECL transition provision if it experiences a reduction in retained earnings due to CECL adoption as of the beginning of the fiscal year in which the institution adopts CECL. The transition period under the 3-year CECL transition provision means the three-year period beginning the first day of the fiscal year in which an institution adopts CECL and reflects CECL in its first Call Report filed after that date.

An institution that is eligible to use the 3-year CECL transition provision may elect to phase in the regulatory capital impact of adopting CECL over a 3-year transition period (a 3-year CECL electing institution). A 3-year CECL electing institution is required to begin applying the 3-year CECL transition provision as of the electing banking organization's CECL adoption date. A 3-year CECL electing institution must indicate in Schedule RC-R, Part I, item 2.a, its election to use the 3-year CECL transition provision and must report the transitional amounts, as defined below and as applicable, in the affected items of Schedule RC-R, adjusted for the transition provisions, beginning in the Call Report for the quarter in which the institution first reports its credit loss allowances as measured under CECL.

An institution that does not elect to use the 3-year CECL transition provision in the Call Report for the quarter in which it first reports its credit loss allowances as measured under CECL is not permitted to make an election in subsequent reporting periods and is required to reflect the full effect of CECL in its regulatory capital ratios beginning as of the institution's CECL adoption date.

An institution that initially elects to use the 3-year CECL transition provision, but opts out of this transition provision in a subsequent reporting period, is not permitted to resume using the 3-year CECL transition provision at a later date within the 3-year transition period. An institution may opt out of applying the transition provision by reflecting the full impact of CECL on regulatory capital in Call Report Schedule RC-R.

General Instructions for Schedule RC-R, Part I. (cont.)

Eligibility for the 5-Year 2020 CECL Transition – An institution is eligible to use the 5-Year 2020 CECL transition provision if it adopts CECL under U.S. GAAP 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 (as defined below) in any quarter ending in 2020 after adopting CECL.

An institution must indicate in Schedule RC-R, Part I, item 2.a, its election to use the 5-year 2020 CECL transition provision in calendar year 2020 in the first Call Report filed after the institution adopts CECL or the same Call Report in which the institution first reports a positive modified CECL transitional amount for any calendar quarter ending in 2020 (5-year CECL electing institution).

Even if an institution elects to use the 5-Year 2020 CECL transition provision, the institution may only reflect the regulatory capital adjustments set forth in the 2020 CECL rule in the quarter or quarters in which the institution implements CECL for regulatory reporting purposes. An institution that has elected the 5-year 2020 CECL transition provision, but would not report a positive modified CECL transitional amount in a particular quarter, is not required to make the adjustments in Call Report Schedule RC-R in that quarter.

Transition Period under the 5-Year 2020 CECL Transition – Beginning with the earlier of:
(1) The first quarter of the fiscal year in which an institution was required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020), or
(2) The first day of a fiscal year that begins in the 2020 calendar year in which the institution files Call 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 Coronavirus Aid, Relief, and Economic Security Act (CARES Act)),[1] 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 institution 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 CECL 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[2] including the quarter of adoption, remaining in its transition period.
>
> Example 2: An institution was required to adopt CECL 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 4014 of the CARES Act. This institution's transition period begins 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.

---

[1] Section 4014 of the CARES Act, as amended by the Consolidated Appropriations Act, 2021, allows an institution to delay the adoption of Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, until the earlier of (1) January 1, 2022, or (2) the first day of the institution's fiscal year that begins after the date of the termination of national emergency concerning the coronavirus disease declared by the President on March 13, 2020, under the National Emergencies Act.
[2] Six quarters of the initial transition followed by 12 quarters of the phase-out of the transition.

General Instructions for Schedule RC-R, Part I. (cont.)

For the first 8 quarters after the start of its transition period, an institution is permitted to make an adjustment of 100 percent 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 two 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 three); 50 percent adjustment in quarters 13-16 (i.e., Year four); and 25 percent adjustment in quarters 17-20 (i.e., Year five).

Definitions – Institutions that elect either the 3-year CECL transition provision or the 5-year 2020 CECL transition provision must calculate the following amounts, as applicable. AACL refers to Adjusted Allowances for Credit Losses and ALLL refers to the Allowance for Loan and Lease Losses, both as defined in the regulatory capital rule (12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC)).

- 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 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 difference 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 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 difference in the amount of an advanced approaches 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.

In addition, institutions that elect the 5-year 2020 CECL transition provision must calculate the following amounts:

- 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.

Part I. (cont.)

NOTE: Institutions must complete Schedule RC-R, Part I, item 54, only if the amount reported in Schedule RC-R, Part I, item 52, in the Call Report for the previous calendar quarter-end report date was less than or equal to 2.5000 percent.

Item No. Caption and Instructions

54 **Distributions and discretionary bonus payments during the quarter.** An institution must complete this item only if the amount of its capital conservation buffer, as reported as of the previous calendar quarter-end report date, was less than its applicable required buffer percentage on that previous calendar quarter-end report date. For an institution that must complete this item 54, report the amount of distributions and discretionary bonus payments during the calendar quarter ending on the report date.

For example, an institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending June 30, 2020, in this item 54 in its June 30, 2020, Call Report only if the amount of its capital conservation buffer as reported in Schedule RC-R, Part I, item 52, in its March 31, 2020, Call Report was less than or equal to 2.5000 percent.

As defined in section 2 of the regulatory capital rules, “distribution” means:

(1) A reduction of tier 1 capital through the repurchase of a tier 1 capital instrument or by other means, except when an institution, within the same quarter when the repurchase is announced, fully replaces a tier 1 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for:
   (i) A common equity tier 1 capital instrument if the instrument being repurchased was part of the institution's common equity tier 1 capital, or
   (ii) A common equity tier 1 or additional tier 1 capital instrument if the instrument being repurchased was part of the institution's tier 1 capital;

Part I. (cont.)

Item No.	Caption and Instructions
54 (cont.)	(2) A reduction of tier 2 capital through the repurchase, or redemption prior to maturity, of a tier 2 capital instrument or by other means, except when an institution, within the same quarter when the repurchase or redemption is announced, fully replaces a tier 2 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for a tier 1 or tier 2 capital instrument; (3) A dividend declaration or payment on any tier 1 capital instrument; (4) A dividend declaration or interest payment on any tier 2 capital instrument if the institution has full discretion to permanently or temporarily suspend such payments without triggering an event of default; or (5) Any similar transaction that the institution's primary federal regulator determines to be in substance a distribution of capital. As defined in section 2 of the regulatory capital rules, "discretionary bonus payment" means a payment made to an executive officer of an institution, where: (1) The institution retains discretion as to whether to make, and the amount of, the payment until the payment is awarded to the executive officer; (2) The amount paid is determined by the institution without prior promise to, or agreement with, the executive officer; and (3) The executive officer has no contractual right, whether express or implied, to the bonus payment. As defined in section 2 of the regulatory capital rules, "executive officer" means a person who holds the title or, without regard to title, salary, or compensation, performs the function of one or more of the following positions: president, chief executive officer, executive chairman, chief operating officer, chief financial officer, chief investment officer, chief legal officer, chief lending officer, chief risk officer, or head of a major business line, and other staff that the board of directors of the institution deems to have equivalent responsibility.

Part II. (cont.)

Item No.	Caption and Instructions
7 (cont.)	○ Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans held for trading and the portion of trading assets collateralized by deposits at the reporting institution.

- *In column G–20% risk weight*,
  - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 20 percent risk weight and are not securitization exposures, which may include the fair value of securities issued by U.S. Government-sponsored agencies; general obligations issued by states and political subdivisions in the United States; MBS issued by FNMA and FHLMC; and asset-backed securities, structured financial products, other debt securities, loans and acceptances, and certificates of deposit that represent exposures to U.S. depository institutions.
  - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of trading assets covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*,
  - include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 50 percent risk weight and are not securitization exposures, which may include the fair value of revenue obligations issued by states and political subdivisions in the United States and MBS.
  - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 100 percent risk weight and are not securitization exposures, which may include the fair value of MBS and other debt securities that represent exposures to corporate entities and special purpose vehicles (SPVs).
  - Also include the fair value of publicly traded and not publicly traded equity exposures and equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 5, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its trading equity exposures in columns L, M, or N, as appropriate.
  - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
  - Also include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns C through H, J through N, and R. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.

- *In column J–150% risk weight*, include:
  - The exposure amounts of trading assets reported in Schedule RC, item 5, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

Part II. (cont.)

Item No. Caption and Instructions

7 (cont.)

- ○ The fair value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 5, excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In column L–300% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of publicly traded equity securities with readily determinable fair values.

- *In column M–400% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of equity securities (other than those issued by investment firms) that do not have readily determinable fair values.

- *In column N–600% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of equity exposures to investment firms.

- *In columns R and S–Application of Other Risk-Weighting Approaches*, include:
  - ○ The portion of any trading assets reported in Schedule RC, item 5, that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - o Equity exposures to investment funds (including mutual funds) reported as trading assets in Schedule RC, item 5, if the aggregate carrying value of the bank’s equity exposures is greater than 10 percent of total capital. These exposures are subject to a minimum risk weight of 20 percent.
  - o For information on the reporting of such trading assets in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 7, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

- For trading assets that must be risk-weighted according to the Country Risk Classification (CRC) methodology, assign these assets to risk-weight categories based on the CRC methodology described in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

8 **All other assets.** Report in column A the sum of the amounts reported in Schedule RC, item 6, "Premises and fixed assets”; item 7, "Other real estate owned”; item 8, "Investments in unconsolidated subsidiaries and associated companies”; item 9, “Direct and indirect investments in real estate ventures”; item 10, "Intangible assets"; and item 11, "Other assets," excluding those assets reported in Schedule RC, items 6 through 11, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those assets reported in Schedule RC, items 6 through 11, that qualify as securitization exposures (as well as the amount reported in Schedule RC, item 11, for accrued interest receivable on on-balance sheet securitization exposures, regardless of where the securitization exposures are reported on the balance sheet in Schedule RC) must be reported in Schedule RC-R, Part II, item 9.d, column A.

The sum of item 8, columns B through R (including items 8.a and 8.b, column R), must equal item 8, column A. Amounts reported in Schedule RC-R, Part II, items 8.a and 8.b, column R, should not also be reported in Schedule RC-R, Part II, item 8, column R.

SCHEDULE RC-T – FIDUCIARY AND RELATED SERVICES

General Instructions

This schedule should be completed on a fully consolidated basis, i.e., including any trust company subsidiary of the reporting institution that is engaged in fiduciary activities as defined in the instructions below. Exclude from this schedule, investments in unconsolidated trust entities and any proportionate share of income or loss from these investments which should be reported in accordance with the instructions for Schedule RC, Balance Sheet, and Schedule RI, Income Statement, as applicable. See also the Glossary entries for "Equity Method of Accounting" and "Subsidiaries."

Item No.	Caption and Instructions
1	**Does the institution have fiduciary powers?** Federally-chartered institutions granted trust powers by the OCC to administer accounts in a fiduciary capacity should answer "Yes." State-chartered institutions should answer "Yes" if (a) the state has granted trust powers to the institution to offer fiduciary services as defined by the state ***and*** (b) the institution's federal supervisory agency (the FDIC or the Federal Reserve) has granted consent to exercise the trust powers (see Sections 333.2 and 333.101 of the FDIC's regulations and Federal Reserve Regulation H). Institutions with trust company subsidiaries should also answer "Yes." Institutions responding "No" should not complete the remainder of this schedule. Fiduciary capacity generally means trustee, executor, administrator, registrar of stocks and bonds, transfer agent, guardian, assignee, receiver, custodian under a uniform gifts to minors act, investment adviser (if the institution receives a fee for its investment advice), any capacity in which the institution possesses investment discretion on behalf of another, or any other similar capacity.
2	**Does the institution exercise the fiduciary powers it has been granted?** Institutions exercising their fiduciary powers should respond "Yes." Exercising fiduciary powers means that an institution, or a trust company subsidiary of the institution, serves in a fiduciary capacity as defined in the instructions for item 1 of this schedule.
3	**Does the institution have fiduciary or related activity (in the form of assets or accounts) to report in this schedule?** Institutions (including their trust company subsidiaries) with fiduciary assets, accounts, income, or other reportable fiduciary related services should respond "Yes." Institutions responding "No" should not complete the remainder of this schedule. Reportable fiduciary and related services include activities that do not require trust powers but are incidental to fiduciary services. Specifically, this includes custodial services for assets held by the institution in a fiduciary capacity. An institution should report custodial activities that are offered through the fiduciary business unit or through another distinct business unit that is devoted to institutional custodial services. Institutions should exclude those custodial and escrow activities related to commercial bank services such as hold-in-custody repurchase assets, escrow assets held for the benefit of third parties, safety deposit box assets, and any other similar commercial arrangement. Institutions with fiduciary activities that are limited to only land trusts and/or custodial activity for mortgage-backed securities (such as GNMA or FNMA) should respond "No." If the answer to item 3 is "Yes," complete the applicable items of Schedule RC-T, as follows: Institutions with total fiduciary assets (item 10, sum of columns A and B) greater than $1 billion (as of the preceding December 31) or with gross fiduciary and related services

Item No.	Caption and Instructions
3 (cont.)	income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete: • Items 4 through 22 quarterly; • Items 23 through 26 annually with the December report; • Memorandum item 3 quarterly; and • Memorandum items 1, 2, and 4 annually with the December report. Institutions with total fiduciary assets (item 10, sum of columns A and B) greater than $250 million but less than or equal to $1 billion (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must complete: • Items 4 through 22 semiannually with the June and December reports; • Items 23 through 26 annually with the December report; • Memorandum item 3 semiannually with the June and December reports; and • Memorandum items 1, 2, and 4 annually with the December report. Institutions with total fiduciary assets (item 10, sum of columns A and B) of less than or equal to $250 million (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must complete: • Items 4 through 13 annually with the December report; and • Memorandum items 1 through 3 annually with the December report. In addition, institutions with total fiduciary assets greater than $100 million but less than or equal to $250 million (as of the preceding December 31) that do not meet the fiduciary income test for quarterly reporting must also complete Memorandum item 4 annually with the December report.

Fiduciary and Related Assets

Institutions should generally report fiduciary and related assets using their market value as of the report date. While market value quotations are readily available for marketable securities, many financial and physical assets held in fiduciary accounts are not widely traded or easily valued. If the methodology for determining market values is not set or governed by applicable law (including the terms of the prevailing fiduciary agreement), the institution may use any reasonable method to establish values for fiduciary and related assets for purposes of reporting on this schedule. Reasonable methods include appraised values, book values, or reliable estimates. Valuation methods should be consistent from reporting period to reporting period. This "reasonable method" approach to reporting market values applies both to financial assets that are not marketable and to physical assets. Common physical assets held in fiduciary accounts include real estate, equipment, collectibles, and household goods.

Only those Individual Retirement Accounts, Keogh Plan accounts, Health Savings Accounts, and similar accounts offered through a fiduciary business unit of the reporting institution should be reported in Schedule RC-T. When such accounts are not offered through an institution’s fiduciary business unit, they should not be reported in Schedule RC-T. Accounts that consist solely of deposits in the bank itself should not be reported in Schedule RC-T.

If two institutions are named co-fiduciary in the governing instrument, both institutions should report the account. In addition, where one institution contracts with another for fiduciary or related services (i.e., Bank A provides custody services to the trust accounts of Bank B, or Bank A provides investment management services to the trust accounts of Bank B), both institutions should report the accounts in their respective capacities.

Exclude unfunded insurance trusts, testamentary executor appointments, and any other arrangements representing potential future fiduciary accounts. Asset values reported on this schedule should generally exclude liabilities. For example, an employee benefit account with associated loans against account assets should be reported gross of the outstanding loan balances.

Fiduciary and Related Assets (cont.)

As another example, an account with a real estate asset and corresponding mortgage loan should be reported gross of the mortgage liability. However, there are two exceptions. First, for purposes of this schedule, overdrafts should be netted against gross fiduciary assets. Second, the fair value of derivative instruments, as defined in ASC Topic 815, Derivatives and Hedging, should be included in (i.e., netted against) gross assets even if the fair value is negative.

Securities borrowing/lending transactions should be reflected as sales or as secured borrowings according to ASC Topic 860, Transfers and Servicing. A transferee ("borrower") of securities generally is required to provide "collateral" to the transferor ("lender") of securities. When such transactions do not qualify as sales, securities "lenders" and "borrowers" should account for the transactions as secured borrowings in which cash (or securities that the holder is permitted by contract or custom to sell or repledge) received as "collateral" by the securities "lender" is considered the amount borrowed and the securities "loaned" are considered pledged against the amount borrowed. For purposes of this schedule, securities held in fiduciary accounts that are "loaned" in securities lending transactions (that are accounted for as secured borrowings) should be reported as an asset of the fiduciary account that “loaned” the securities, but the “collateral” received should not also be reported as an asset of this fiduciary account.

In the Fiduciary and Related Assets section, the market value of Collective Investment Fund (CIF) units should be reported along with individual participant accounts in the Column and Item that corresponds to each participant. The aggregate amount of a CIF that is operated by an institution should NOT also be reported as a separate, additional account in the Fiduciary and Related Assets section of this schedule.

Institutions that are fiduciaries or exercise fiduciary powers as defined in the “General Instructions” section for Schedule RC-T, item 1, must include all investment management and investment advisory accounts and assets administered by the institution directly or administered by entities to whom the institution has delegated its investment authority. However, an investment adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940 or registered with a state agency (registered investment advisers) is not a fiduciary nor does it exercise fiduciary powers as defined in the “General Instructions” section for Schedule RC-T, item 1. Therefore, institutions should not include investment management and investment advisory accounts and assets administered by registered investment advisory subsidiaries of the institution, except when:

- The institution fiduciary is the investment manager or adviser, but has delegated investment management or advisory responsibilities to the subsidiary registered investment adviser, or
- An institution is administering the account in a fiduciary capacity, as defined in the instructions for item 1 above, but the governing instrument assigns direct responsibility for investment management to the registered investment adviser.

<u>Managed Assets – Column A</u>

Report the total market value of assets held in managed fiduciary accounts. An account should be categorized as managed if the institution has investment discretion over the assets of the account. Investment discretion is defined as the sole or shared authority (whether or not that authority is exercised) to determine what securities or other assets to purchase or sell on behalf of the fiduciary related account. An institution that delegates its authority over investments and an institution that receives delegated authority over investments are BOTH deemed to have investment discretion.

Therefore, whether an account where investment management has been delegated to a registered investment adviser, whether affiliated or unaffiliated with the reporting institution, should be reported as a managed account depends on whether the delegation of investment authority to the registered investment adviser was made pursuant to the exercise of investment discretion by the reporting institution. If so, the account is deemed to be a managed account by the reporting institution. Otherwise, the account would be a non-managed account for purposes of Schedule RC-T.
An entire account should be reported as either managed or non-managed based on the predominant responsibility of the reporting institution.

Fiduciary and Related Assets (cont.)

Non-Managed Assets – Column B

Report the total market value of assets held in non-managed fiduciary accounts. An account should be categorized as non-managed if the institution does not have investment discretion. Those accounts for which the institution provides a menu of investment options but the ultimate selection authority remains with the account holder or an external manager should be categorized as non-managed. For example, an institution that offers a choice of sweep vehicles is not necessarily exercising investment discretion. The process of narrowing investment options from a range of alternatives does not create a managed fiduciary account for the purposes of this schedule. For example, a 401(k) employee benefit plan where the participants select investments from a list of investment options should be reported as non-managed for the purposes of this schedule.

Number of Managed Accounts – Column C

Report the total number of managed fiduciary accounts.

Number of Non-Managed Accounts – Column D

Report the total number of non-managed fiduciary accounts.

Item No. Caption and Instructions

4 **Personal trust and agency accounts.** Report the market value and number of accounts for all testamentary trusts, revocable and irrevocable living trusts, other personal trusts, and non-managed personal agency accounts. Include accounts in which the institution serves as executor, administrator, guardian, or conservator. Exclude personal investment management and investment advisory agency accounts, which should be reported in Schedule RC-T, item 7. Also exclude Keogh Plan accounts, Individual Retirement Accounts (IRAs), Health Savings Accounts, and other pension or profit-sharing plans for self-employed individuals, which should be reported in Schedule RC-T, item 5. Personal accounts that are solely custody or safekeeping should be reported in item 11 of this schedule.

5 **Employee benefit and retirement-related trust and agency accounts:**

5.a **Employee benefit – defined contribution.** Report the market value and number of accounts for all employee benefit defined contribution accounts in which the institution serves as either trustee or agent. Include 401(k) plans, 403(b) plans, profit-sharing plans, money purchase plans, target benefit plans, stock bonus plans, employee stock ownership plans, and thrift savings plans. Employee benefit accounts for which the institution serves as a directed trustee should be reported as non-managed. The number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Employee benefit accounts that are solely custody and safekeeping accounts should be reported in Schedule RC-T, item 11.

Item No.	Caption and Instructions
6	**Corporate trust and agency accounts.** Report the market value of assets held by the institution for all corporate trust and agency accounts. Report assets that are the responsibility of the institution to manage or administer in accordance with the corporate trust agreement. Include assets relating to unpresented bonds or coupons relating to issues that have been called or matured. Do NOT report the entire market value of the associated securities or the outstanding principal of associated debt issues. Include accounts for which the institution is trustee for corporate securities, tax-exempt and other municipal securities, and other debt securities including unit investment trusts. Also include accounts for which the institution is dividend or interest paying agent, and any other type of corporate trustee or agent appointment. Accounts that are solely custodial or safekeeping should be reported in Schedule RC-T, item 11.
7	**Investment management and investment advisory agency accounts.** Report the market value and number of accounts for all individual and institutional investment management and investment advisory agency accounts that are administered within the fiduciary area of the institution. Investment management accounts are those agency accounts for which the institution has investment discretion; however, title to the assets remains with the client. Include accounts for which the institution serves as a sub-adviser. Investment advisory accounts are those agency accounts for which the institution provides investment advice for a fee, but for which some other person is responsible for investment decisions. Investment management agency accounts should be reported as managed. Investment advisory agency accounts should be reported as non-managed. Investment management and investment advisory agency accounts maintained for foundations and endowments should be reported in Schedule RC-T, item 8. As noted in the Fiduciary and Related Assets section above, exclude investment management and investment advisory agency accounts that are administered by subsidiary registered investment advisers. Include those mutual funds that are advised by the fiduciary area that is a separately identifiable department or division (as defined in Section 217 of the Gramm-Leach-Bliley Act). Classes of the same mutual fund should be combined and reported as a single account.
8	**Foundation and endowment trust and agency accounts.** Report the market value and number of accounts for all foundations and endowments (whether established by individuals, families, corporations, or other entities) that file any version of Form 990 with the Internal Revenue Service and for which the institution serves as either trustee or agent. Also include those foundations and endowments that do not file Form 990, 990EZ, or 990PF solely because the organization's gross receipts or total assets fall below reporting thresholds, but would otherwise be required to file. Foundations and endowments established by churches, which are exempt from filing Form 990, should also be included in this item. Employee benefit accounts maintained for a foundation's or endowment's employees should be reported in Schedule RC-T, item 5. Accounts that are solely custodial or safekeeping should be reported in Schedule RC-T, item 11.
9	**Other fiduciary accounts.** Report the market value and number of accounts for all other trusts and agencies not reported in Schedule RC-T, items 4 through 8. Custody and safekeeping accounts should be reported in Schedule RC-T, item 11.
10	**Total fiduciary accounts.** Report the sum of items 4 through 9.

Item No. **Caption and Instructions**

11 **Custody and safekeeping accounts.** Report the market value and number of accounts for all personal and institutional custody and safekeeping accounts held by the institution. Safekeeping and custody accounts are a type of agency account in which the reporting institution performs one or more specified agency functions but the institution is not a trustee and also is not responsible for managing the asset selection for account assets. These agency services may include holding assets, processing income and redemptions, and other recordkeeping and customer reporting services. For employee benefit custody or safekeeping accounts, the number of accounts reported should reflect the total number of plans administered rather than the number of plan participants. Include accounts in which the institution serves in a sub-custodian capacity. For example, where one institution contracts with another for custody services, both institutions should report the accounts in their respective capacity. Individual Retirement Accounts, Health Savings Accounts, and other similar accounts should also be reported in Schedule RC-T, item 13.

Accounts in which the institution serves as trustee or in an agency capacity in addition to being custodian should be reported in the category of the primary relationship. For example, personal trust accounts in which the institution also serves as custodian should be reported as personal trust accounts and not as custodian accounts. An institution should report an account only once in Schedule RC-T, items 4 through 9 and 11.

Report custodian accounts that are incidental to fiduciary services. Include those custody and safekeeping accounts that are administered by the trust department, and those that are administered in other areas of the institution through an identifiable business unit that focuses on offering fiduciary related custodial services to institutional clients. Exclude those custodial and escrow activities related to commercial bank services such as hold-in-custody repurchase assets, securities safekeeping services for correspondent banks, escrow assets held for the benefit of third parties, safety deposit box assets, and any other similar commercial arrangement.

12 Not applicable.

13 **Individual Retirement Accounts, Health Savings Accounts, and other similar accounts.** Report the market value and number of Individual Retirement Accounts, Health Savings Accounts, and other similar accounts included in Schedule RC-T, items 5.c and 11. Other similar accounts include Roth IRAs, Coverdell Education Savings Accounts, and Archer Medical Savings Accounts. Exclude Keogh Plan accounts.

Fiduciary and Related Services Income

The income categories in Schedule RC-T, items 14 through 20, correspond to the fiduciary asset categories described in Schedule RC-T, items 4 through 11, above. For a detailed definition of the categories, please refer to the corresponding account descriptions. Income and expenses should be reported on an accrual basis. Institutions may report income and expense accounts on a cash basis if the results would not materially differ from those obtained using an accrual basis.

Memoranda

Item No. Caption and Instructions

1.j (cont.) Corporation (FHLMC) ("Freddie Mac") should be reported here, even if the collateral consists of GNMA ("Ginnie Mae") or FNMA pass-throughs or FHLMC participation certificates. Exclude short-term obligations (which should be reported in Schedule RC-T, Memorandum item 1.i, above).

1.k **Investments in unregistered funds and private equity investments.** Report all holdings of funds exempt from registration under Sections 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940, for example, “hedge funds.” Report all holdings of private equity investments exempt from registration under Securities Act of 1933 Regulation D. Private equity investments is an asset class consisting of purchased equity securities in operating companies that are not publicly traded on a stock exchange or otherwise registered with the SEC under federal securities laws. Private equity-related funds are funds that invest primarily in private equity investments. Unregistered private equity funds should be reported in this item.

Investments in family businesses that are associated with the grantors or beneficiaries of a fiduciary account should not be reported in this Memorandum item as a “private equity investment.” Such investments may arise, for example, from an in-kind transfer to a fiduciary account of securities in a closely-held family business or an increase in a fiduciary account’s percentage ownership of an existing closely-held family business whose securities are held in the account. Such investments should be reported in Schedule RC-T, Memorandum item 1.o, “Miscellaneous assets.”

1.l **Other common and preferred stocks.** Report all holdings of domestic and foreign common and preferred equities, including warrants and options, but excluding investments in unregistered funds and private equity investments (which should be reported in Schedule RC-T, Memorandum item 1.k, above).

1.m **Real estate mortgages.** Report real estate mortgages, real estate contracts, land trust certificates, and ground rents. These assets may be reported at their unpaid balance if that figure is a fair approximation of market value.

1.n **Real estate.** Report real estate, mineral interests, royalty interests, leaseholds, and other similar assets. Land and buildings associated with farm management accounts should be reported in this item. Also include investments in limited partnerships that are solely or primarily invested in real estate.

1.o **Miscellaneous assets.** Report personal notes, tangible personal property, and other miscellaneous assets that cannot properly be reported in Schedule RC-T, Memorandum items 1.a through 1.n, above. Crops, equipment, and livestock associated with farm management accounts should be reported in this Memorandum item. Also include investments in closely-held family businesses if such investments represent in-kind transfers to a fiduciary account of securities in a closely-held family business or an increase in a fiduciary account’s percentage ownership of an existing closely-held family business whose securities are held in the account.

1.p **Total managed assets held in fiduciary accounts.** Report the sum of Memorandum items 1.a. through 1.o. The total reported in column A must equal the sum of Schedule RC-T, items 4 and 7, column A. The total reported in column B must equal the sum of Schedule RC-T, items 5.a, 5.b, and 5.c, column A. The total reported in column C must equal the sum of Schedule RC-T, items 6, 8, and 9, column A.

Memoranda

Item No. **Caption and Instructions**

1.q **Investments of managed fiduciary accounts in advised or sponsored mutual funds.** Report in column A the market value of all managed fiduciary assets invested in mutual funds that are sponsored by the institution or a subsidiary or affiliate of the institution or where the institution or a subsidiary or affiliate of the institution serves as investment adviser to the fund. Report the number of managed fiduciary accounts with assets invested in advised or sponsored mutual funds in column B. The term "affiliate" means any company that controls, is controlled by, or is under common control with another company, as set forth in the Bank Holding Company Act of 1956.

2 **Corporate trust and agency accounts:**

2.a **Corporate and municipal trusteeships.** Report in column A the total number of corporate and municipal issues, including equities such as trust preferred securities, and asset-backed securities for which the institution serves as trustee. Also report other debt issues, such as unit investment trusts and private placement leases, for which the institution serves as trustee. If more than one institution is trustee for an issue, each institution should report the issue. Securities with different CUSIP numbers should be considered separate issues; however, serial bond issues should be considered as a single issue. When an institution serves as trustee of a bond issue, it may also perform agency functions for the issue such as registrar (transfer agent) or interest and principal paying agent. In those cases, report the issue only in Memorandum item 2.a, “Corporate and municipal trusteeships,” as the trustee appointment is considered the primary function. Consider the primary function of the appointment when selecting the item in which to report the appointment. Exclude issues that have been called in their entirety or have matured even if there are unpresented bonds or coupons for which funds are being held.

Report in column B the unpaid principal balance of the outstanding securities for the issues reported in column A for which the institution serves as trustee. For zero coupon bonds, report the final maturity amount. For trust preferred securities, report the redemption price. Exclude assets (i.e., cash, deposits, and investments) that are being held for corporate trust purposes; they should be reported in Schedule RC-T, item 6, above.

2.a.(1) **Issues reported in Memorandum item 2.a that are in default.** Report the total number and unpaid principal balance (final maturity amount for zero coupon bonds; redemption price for trust preferred securities) of the issues reported in Schedule RC-T, Memorandum item 2.a, above, that are in substantive default. A substantive default occurs when the issuer (a) fails to make a required payment of principal or interest, defaults on a required payment into a sinking fund, files for bankruptcy, or is declared bankrupt or insolvent, and (b) default has been declared by the trustee. Issues should not be reported as being in substantive default during a cure period, provided the indenture for the issue provides for a cure period. Private placement leases where the trustee is required to delay or waive the declaration of an event of default, unless requested in writing to make such declaration, should not be reported as being in substantive default, provided such written request has not been made. Once a trustee’s duties with respect to an issue in substantive default have been completed, the issue should no longer be reported as being in default.

Do not report issues that are in technical default, for instance, if the obligor failed to provide information or documentation to the trustee within specified time periods.

Memoranda

Item No.	Caption and Instructions
2.b	**Transfer agent, registrar, paying agent, and other corporate agency.** Report in column A the total number of issues for which the institution acts in a corporate agency capacity. Include the total number of equity, debt, and mutual fund issues for which the institution acts as transfer agent or registrar, regardless of whether the transfer agent is registered with its appropriate regulatory agency. Separate classes of a mutual fund should be consolidated and reflected as a single issue. Include the total number of stock or bond issues for which the institution disburses dividend or interest payments. Also include the total number of issues of any other corporate appointments that are performed by the institution through its fiduciary capacity. Issues for which the institution serves in a dual capacity should be reported once. Corporate and municipal trusteeships reported in Schedule RC-T, Memorandum item 2.a, above, in which the institution also serves as transfer agent, registrar, paying agent, or other corporate agency capacity should not be included in Memorandum item 2.b. Include only those agency appointments that do not relate to issues reported in Schedule RC-T, Memorandum item 2.a, above.

NOTE: Memorandum items 3.a through 3.h are to be completed by institutions at which the total market value of the assets held in Collective Investment Funds (CIFs) and Common Trust Funds (CTFs) administered by the reporting institution (Memorandum item 3.h, column B) was $1 billion or more as of the preceding December 31. Memorandum item 3.h only is to be completed by institutions at which the total market value of the assets held in CIFs and CTFs administered by the reporting institution (Memorandum item 3.h, column B) was less than $1 billion as of the preceding December 31.

3	**Collective investment funds and common trust funds.** Report in the appropriate subitem the number of funds and the market value of the assets held in Collective Investment Funds (CIFs) and Common Trust Funds (CTFs) administered by the reporting institution. CIFs and CTFs are funds that banks are authorized to administer by Section 9.18 of the Office of the Comptroller of the Currency's regulations or comparable state regulations. If an institution operates a CIF that is used by more than one institution, the entire CIF should be reported in this section only by the institution that operates the CIF. Exclude mutual funds from this section. Each CIF and CTF should be reported in the subitem that best fits the fund type.
3.a	**Domestic equity.** Report funds investing primarily in U.S. equities. Include funds seeking growth, income, growth and income; U.S. index funds; and funds concentrating on small, mid, or large cap domestic stocks. Exclude funds specializing in a particular sector (e.g., technology, health care, financial, and real estate), which should be reported in Schedule RC-T, Memorandum item 3.g, "Specialty/Other."
3.b	**International/Global equity.** Report funds investing exclusively in equities of issuers located outside the U.S. and those funds representing a combination of U.S. and foreign issuers. Include funds that specialize in a particular country, region, or emerging market.
3.c	**Stock/Bond blend.** Report funds investing in a combination of equity and bond investments. Include funds with a fixed allocation along with those having the flexibility to shift assets between stocks, bonds, and cash.
3.d	**Taxable bond.** Report funds investing in taxable debt securities. Include funds that specialize in U.S. Treasury and U.S. Government agency debt, investment grade corporate bonds, high-yield debt securities, mortgage-related securities, and global, international, and emerging market debt funds. Exclude funds that invest in municipal bonds, which should be reported in Schedule RC-T, Memorandum item 3.e, and funds that qualify as short-term investments, which should be reported in Schedule RC-T, Memorandum item 3.f.
3.e	**Municipal bond.** Report funds investing in debt securities issued by states and political subdivisions in the U.S. Such securities may be taxable or tax-exempt. Include funds that invest in municipal debt issues from a single state. Exclude funds that qualify as short-term investments, which should be reported in Schedule RC-T, Memorandum item 3.f.

Memoranda

Item No.	Caption and Instructions
3.f	**Short-term investments/Money market.** Report funds subject to the provisions of Section 9.18(b)(4)(ii)(B) of the Office of the Comptroller of the Currency's regulations or comparable state regulations that invest in short-term money market instruments. Money market instruments may include U.S. Treasury bills, commercial paper, bankers acceptances, and repurchase agreements. Include taxable and nontaxable funds.
3.g	**Specialty/Other.** Include funds that specialize in equity securities of particular sectors (e.g., technology, health care, financial, and real estate). Also include funds that do not fit into any of the above categories.
3.h	**Total collective investment funds.** For institutions that complete Memorandum items 3.a through 3.g, report the sum of Memorandum items 3.a through 3.g. For all other institutions, report the total number of funds and the total market value of the assets held in Collective Investment Funds and Common Trust Funds administered by the reporting institution.

4 **Fiduciary settlements, surcharges, and other losses.** Report aggregate ***gross*** settlements, surcharges, and other losses arising from errors, misfeasance, or malfeasance on managed accounts in column A and on non-managed accounts in column B. For the definitions of managed and non-managed accounts, refer to the instructions for the Fiduciary and Related Assets section of this schedule. ***Gross*** losses should reflect losses recognized on an accrual basis before recoveries or insurance payments. If the institution enters into a "fee reduction" or "fee waiver" agreement with a client as the method for reimbursing or compensating the client for a loss on the client's fiduciary or related services account arising from an error, misfeasance, or malfeasance, the full amount of this loss must be recognized on an accrual basis and included in the gross losses reported in the appropriate subitem and column of this Memorandum item 4. An institution should not report such a loss as a reduction of the gross income from fiduciary and related services it reports in Schedule RC-T, items 14 through 22, and Schedule RI, item 5.a, "Income from fiduciary activities," in the current or future periods when the "fee reduction" or "fee waiver" takes place. (See the example after the instructions to Schedule RC-T, Memorandum item 4.e.)

Exclude contingent liabilities for fiduciary-related loss contingencies, including pending or threatened litigation, for which a loss has not yet been recognized in accordance with ASC Subtopic 450-20, Contingencies – Loss Contingencies.

Report recoveries (including those from insurance payments) in column C. Recoveries may be for current or prior years' losses and should be reported when payment is actually realized. The filing of an insurance claim does not serve as support for a recovery.

4.a **Personal trust and agency accounts.** Report gross losses and recoveries for personal trust and agency accounts as defined for item 4 of this schedule.

4.b **Employee benefit and retirement-related trust and agency accounts.** Report gross losses and recoveries for employee benefit and retirement-related trust and agency accounts as defined for item 5 of this schedule.

Banks, U.S. and Foreign (cont.):
For purposes of the Consolidated Reports of Condition and Income, the term "U.S. branches and agencies of foreign banks" covers:

(1) the U.S. branches and agencies of foreign banks;
(2) the U.S. branches and agencies of foreign official banking institutions, including central banks, nationalized banks, and other banking institutions owned by foreign governments; and
(3) investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

Banks in foreign countries –The institutional composition of "banks in foreign countries" includes:

(1) the foreign-domiciled head offices and branches of:
  (a) foreign commercial banks (including foreign-domiciled banking subsidiaries of U.S. banks and Edge and Agreement corporations);
  (b) foreign savings banks or discount houses;
  (c) nationalized banks not functioning either as central banks, as foreign development banks, or as banks of issue;
  (d) other similar foreign institutions that accept short-term deposits; and

(2) the foreign-domiciled branches of U.S. banks.

See also "International Banking Facility (IBF)."

Banks in Foreign Countries: See "banks, U.S. and foreign."

Bill-of-Lading Draft: See "commodity or bill-of-lading draft."

Brokered Deposits: As defined in Section 337.6(a) of the FDIC's regulations, the term "brokered deposit" means "any deposit that is obtained, directly or indirectly, by or through any deposit broker." Brokered deposits include both those in which the entire beneficial interest in a given bank deposit account or instrument is held by a single depositor and those in which the deposit broker sells participations in a given bank deposit account or instrument to one or more investors.

The meaning of the term "brokered deposit" depends on the meaning of the term "deposit broker." The term "deposit broker" is defined in Section 29(g) of the Federal Deposit Insurance Act and Section 337.6(a)(5) of the FDIC's regulations. Under Section 337.6(a)(5), the term "deposit broker" means:

- Any person engaged in the business of placing deposits of third parties with insured depository institutions;
- Any person engaged in the business of facilitating the placement of deposits of third parties with insured depository institutions;
- Any person engaged in the business of placing deposits with insured depository institutions for the purpose of selling those deposits or interests in those deposits to third parties; and
- An agent or trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan.

The FDIC's regulations under Section 337.6(a)(5) further provide that a person is:

(1) "Engaged in the business of placing deposits" of third parties if that person receives third party funds and deposits those funds at more than one insured depository institution; and

Brokered Deposits (cont.):

(2) "Engaged in the business of facilitating the placement of deposits" of third parties by, while engaged in business, with respect to deposits placed at more than one insured depository institution, engaging in one or more of the following activities:

- The person has legal authority, contractual or otherwise, to close the account or move the third party's funds to another insured depository institution;
- The person is involved in negotiating or setting rates, fees, terms, or conditions for the deposit account; or
- The person engages in matchmaking activities, which occurs if the person proposes deposit allocations at, or between, more than one bank based upon both the particular deposit objectives of a specific depositor or depositor's agent, and the particular deposit objectives of specific banks, except in the case of deposits placed by a depositor's agent with a bank affiliated with the depositor's agent. A proposed deposit allocation is based on the particular objectives of:
    i. A depositor or depositor's agent when the person has access to specific financial information of the depositor or depositor's agent and the proposed deposit allocation is based upon such information; and
    ii. A bank when the person has access to the target deposit-balance objectives of specific banks and the proposed deposit allocation is based upon such information.

Brokered CDs that are placed by or through the assistance of third parties with insured depository institutions are brokered deposits.

Section 337.6(a)(5)(v)(I)(4) defines brokered CD as a deposit placement arrangement in which a master certificate of deposit is issued by an insured depository institution in the name of the third party that has organized the funding of the certificate of deposit, or in the name of a custodian or a sub-custodian of the third party, and the certificate is funded by individual investors through the third party, with each individual investor receiving an ownership interest in the certificate of deposit, or a similar deposit placement arrangement that the FDIC determines is arranged for a similar purpose.

Section 337.6(a)(5) also provides that the term "deposit broker" does *not* include:

(1) an insured depository institution, with respect to funds placed with that depository institution;
(2) an employee of an insured depository institution, with respect to funds placed with the employing depository institution;
(3) a trust department of an insured depository institution, if the trust or other fiduciary relationship in question has not been established for the primary purpose of placing funds with insured depository institutions;
(4) the trustee of a pension or other employee benefit plan, with respect to funds of the plan;
(5) a person acting as a plan administrator or an investment adviser in connection with a pension plan or other employee benefit plan provided that that person is performing managerial functions with respect to the plan;
(6) the trustee of a testamentary account;
(7) the trustee of an irrevocable trust (other than a trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan), as long as the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;
(8) a trustee or custodian of a pension or profit-sharing plan qualified under Section 401(d) or 403(a) of the Internal Revenue Code of 1986;
(9) an agent or nominee whose primary purpose is not the placement of funds with depository institutions; or
(10) an insured depository institution acting as an intermediary or agent of a U.S. government department or agency for a government sponsored minority or women-owned depository institution deposit program.

Brokered Deposits (cont.):

Section 337.6(a)(5) describes what it means to be "an agent or nominee whose primary purpose is not the placement of funds with depository institutions." More specifically, the primary purpose exception applies when the primary purpose of the agent's or nominee's business relationship with its customers is not the placement of funds with depository institutions.

The following business relationships are designated as meeting the primary purpose exception, subject to applicable notice and reporting requirements set forth in Section 303.243(b)(3), with respect to a particular business line:

- Less than 25 percent of the total assets that the agent or nominee has under administration for its customers is placed at depository institutions;

- 100 percent of depositors' funds that the agent or nominee places, or assists in placing, at depository institutions are placed into transactional accounts that do not pay any fees, interest, or other remuneration to the depositor;

- A property management firm places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing property management services;

- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing cross-border clearing services to its customers;

- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing mortgage servicing;

- A title company places, or assists in placing, customer funds into deposit accounts for the primary purpose of facilitating real estate transactions;

- A qualified intermediary places, or assists in placing, customer funds into deposit accounts for the primary purpose of facilitating exchanges of properties under section 1031 of the Internal Revenue Code;

- A broker dealer or futures commission merchant places, or assists in placing, customer funds into deposit accounts in compliance with 17 CFR 240.15c3-3(e) or 17 CFR 1.20(a);

- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of posting collateral for customers to secure credit-card loans;

- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of paying for or reimbursing qualified medical expenses under section 223 of the Internal Revenue Code;

- The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of investing in qualified tuition programs under section 529 of the Internal Revenue Code;

- The agent or nominee places, or assists in placing, customer funds into deposit accounts to enable participation in the following tax-advantaged programs: individual retirement accounts under section 408(a) of the Internal Revenue Code, simple individual retirement accounts under section 408(p) of the Internal Revenue Code, or Roth individual retirement accounts under section 408A of the Internal Revenue Code;

- A Federal, State, or local agency places, or assists in placing, customer funds into deposit accounts to deliver funds to the beneficiaries of government programs; and

Brokered Deposits (cont.):

- The agent or nominee places, or assists in placing, customer funds into deposit accounts pursuant to such other relationships as the FDIC specifically identifies as a designated business relationship that meets the primary purpose exception.

An agent or nominee that does not rely on a designated business exception described in this section must receive an approval under the application process in 12 CFR 303.243(b) in order to qualify for the primary purpose exception to the deposit broker definition.

Insured depository institutions that receive deposits through an entity that has a pending application for a primary purpose exception with the FDIC should report such deposits as brokered deposits if and until the FDIC approves such application.

For further information on the solicitation and acceptance of brokered deposits by less than well capitalized insured depository institutions, see Section 337.6(b) and 337.7(g) of the FDIC's regulations.

In some cases, brokered deposits are issued in the name of the depositor whose funds have been placed in a bank by a deposit broker. In other cases, a bank's deposit account records may indicate that the funds have been deposited in the name of a third party custodian for the benefit of others (e.g., "XYZ Corporation as custodian for the benefit of others," or "Custodial account of XYZ Corporation"). Unless the custodian meets one of the specific exceptions from the "deposit broker" definition in Section 29 of the Federal Deposit Insurance Act and Section 337.6(a) of the FDIC's regulations, these custodial accounts should be reported as brokered deposits in Schedule RC-E, Deposit Liabilities.

Section 202 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act*, enacted on May 24, 2018, amends Section 29 of the Federal Deposit Insurance Act to except a capped amount of reciprocal deposits from treatment as, and from being reported as, brokered deposits for qualifying institutions. The FDIC has amended its regulations to conform to the treatment of reciprocal deposits set forth in Section 202. As defined in Section 337.6(e)(2)(v) of the FDIC's regulations, "reciprocal deposits" means "deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks." As defined in Section 327.8(q) of the FDIC's regulations, "brokered reciprocal deposits" are "reciprocal deposits as defined in Section 337.6(e)(2)(v) of the FDIC's regulations that are not excepted from an institution's brokered deposits pursuant to Section 337.6(e)" of the FDIC's regulations. Brokered reciprocal deposits should be reported as (1) brokered deposits and included in Schedule RC-E, Memorandum item 1.b, and, if applicable, Memorandum items 1.c and 1.d, and (2) brokered reciprocal deposits and included in Schedule RC-O, item 9 and, if applicable, item 9.a. An institution should report its total reciprocal deposits, including any reciprocal deposits that are reported as brokered deposits, in Schedule RC-E, Memorandum item 1.g. For further information on reciprocal deposits and brokered reciprocal deposits, see the instructions for Schedule RC-E, Memorandum items 1.b and 1.g, and the examples after the instructions for Schedule RC-E, Memorandum item 7.

Reliance on Previous Staff Advisory Opinions and Interpretations

As stated in the FDIC's rule on Brokered Deposits and Interest Rate Restrictions, the effective date of the rule was April 1, 2021. Full compliance of the rule was extended to January 1, 2022. The extended compliance date allows entities to continue to rely upon existing staff advisory opinions or other interpretations that predated the final rule in determining whether deposits placed by or through an agent or nominee are brokered deposits. After January 1, 2022, entities may no longer rely on upon staff advisory opinions or other interpretations that predated the final rule, and to the extent that such entities instead opt to rely on a designated exception for which a notice is required, a notice must be

Business Combinations (cont.):

pushdown accounting is elected, the acquired institution should report the date of its acquisition in Schedule RI, Memoranda item 7, for each report date on or after the date of the change-in-control event through the end of the calendar year in which the acquisition took place.

The agencies note that the pushdown accounting election available under ASU 2014-17 can be used to produce a particular result in the Call Report that may not be reflective of the economic substance of the underlying business combination. Therefore, an institution's primary federal regulator reserves the right to require or prohibit the institution's use of pushdown accounting for Call Report purposes based on the regulator's evaluation of whether the election best reflects the facts and circumstances of the business combination.

Transactions between entities under common control – A transaction in which net assets or equity interests (e.g., voting shares) that constitute a business are transferred between entities under common control is not accounted for as a business combination. The method used to account for such transactions is similar to the pooling-of-interests method. In accordance with ASC Subtopic 805-50, when applying a method similar to the pooling-of-interests method to a transfer of net assets or an exchange of equity interests between entities under common control, the entity that receives the net assets or equity interests shall initially measure the recognized assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. If the carrying amounts of the assets and liabilities transferred differ from the historical cost of the parent of the entities under common control, for example, because pushdown accounting had not been applied, then the financial statements of the receiving entity shall reflect the transferred assets and liabilities at the historical cost of the parent of the entities under common control. Consequently, and without regard to the pushdown accounting election made by the acquiree, if a parent transfers the acquiree to another entity under common control or merges the acquiree with another entity under common control, the receiving entity accounts for the acquiree using the parent's historical cost for the net assets or equity interests in the acquiree. The parent's historical cost includes the values of the acquiree's assets (including goodwill) and liabilities that were remeasured at fair value on the acquisition date of the business combination. If there has been a change in reporting entity as defined by ASC Subtopic 250-10, Accounting Changes and Error Corrections–Overall (formerly FASB Statement No. 154, "Accounting Changes and Error Corrections"), for the year in which a transaction between entities under common control occurs, income and expenses must be reported in Schedule RI, Income Statement, as though the entities had combined at the beginning of the year. The portion of the adjustment necessary to conform the accounting methods applicable to the current period must also be allocated to income and expense for the period.

Call Option: See "derivative contracts."

Capital Contributions of Cash and Notes Receivable: An institution may receive cash or a note receivable as a contribution to its equity capital. The transaction may be a sale of capital stock or a contribution to paid-in capital (surplus), both of which are referred to hereafter as capital contributions. The accounting for capital contributions in the form of notes receivable is set forth in ASC Subtopic 505-10, Equity – Overall (formerly EITF Issue No. 85-1, "Classifying Notes Received for Capital Stock") and SEC Staff Accounting Bulletin No. 107 (Topic 4.E., Receivables from Sale of Stock, in the Codification of Staff Accounting Bulletins). This Glossary entry does not address other forms of contributions, for example, nonmonetary contributions to equity capital such as a building or grants received and recorded in accordance with ASC Subtopic 958-605, Not-For-Profit Entities, as applicable. [1]

[1] In accordance with ASC Subtopic 958-605, not-for-profit and business entities would report contributions received as revenue (i.e., income). Although the scope of ASC Subtopic 958-605 excludes contributions made by governmental entities to business (for-profit) entities, including depository institutions, entities scoped out of ASC Subtopic 958-605 are not precluded from applying it by analogy when appropriate.

Capital Contributions of Cash and Notes Receivable (cont.):

A capital contribution of cash should be recorded in an institution's financial statements and Consolidated Reports of Condition and Income when received. Therefore, a capital contribution of cash prior to a quarter-end report date should be reported as an increase in equity capital in the institution's reports for that quarter (in Schedule RI-A, item 5 or 11, as appropriate). A contribution of cash after quarter-end should not be reflected as an increase in the equity capital of an earlier reporting period.

When an institution receives a note receivable rather than cash as a capital contribution, ASC Subtopic 505-10 states that it is generally not appropriate to report the note as an asset. As a consequence, the predominant practice is to offset the note and the capital contribution in the equity capital section of the balance sheet, i.e., the note receivable is reported as a reduction of equity capital. In this situation, the capital stock issued or the contribution to paid-in capital should be reported in Schedule RC, item 23, 24, or 25, as appropriate, and the note receivable should be reported as a deduction from equity capital in Schedule RC, item 26.c, "Other equity capital components." No net increase in equity capital should be reported in Schedule RI-A, Changes in Bank Equity Capital. In addition, when a note receivable is offset in the equity capital section of the balance sheet, accrued interest receivable on the note also should be offset in equity (and reported as a deduction from equity capital in Schedule RC, item 26.c), consistent with the guidance in ASC Subtopic 505-10. Because a nonreciprocal transfer from an owner or another party to an institution does not typically result in the recognition of income or expense, the accrual of interest on a note receivable that has been reported as a deduction from equity capital should be reported as additional paid-in capital rather than interest income.

Foreign Currency Transactions and Translation (cont.):

Foreign currency transaction gains or losses on intercompany foreign currency transactions of a long-term investment nature (i.e., settlement is not planned or anticipated in the foreseeable future), when the parties to the transaction are consolidated, combined, or accounted for by the equity method in the bank's Consolidated Reports of Condition and Income are to be excluded from the determination of net income. For further information, refer to the Glossary entry for "foreign currency transactions and translation" in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.:

In addition, the entire change in the fair value of foreign-currency-denominated available-for-sale debt securities should not be included in "Realized gains (losses) on available-for-sale debt securities" (Schedule RI, item 6.b), but should be reported in Schedule RI-A, item 10, "Other comprehensive income." These fair value changes should be accumulated in the "Net unrealized holding gains (losses) on available-for-sale securities" component of "Accumulated other comprehensive income" in Schedule RC, item 26.b. However, if a decline in fair value of a foreign-currency-denominated available-for-sale debt security is judged to be other than temporary, the cost basis of the individual security shall be written down to fair value as a new cost basis and the amount of the write-down shall be included in earnings (Schedule RI, item 6.b).

See the Glossary entry for "derivative contracts" for information on the accounting and reporting for foreign currency derivatives.

For further guidance, refer to ASC Topic 830, Foreign Currency Matters (formerly FASB Statement No. 52, "Foreign Currency Translation").

Foreign Debt Exchange Transactions: Foreign debt exchange transactions generally fall into three categories: (1) loan swaps, (2) debt/equity swaps, and (3) debt-for-development swaps. These transactions are to be reported in the Consolidated Reports of Condition and Income in accordance with generally accepted accounting principles. Generally accepted accounting principles require that these transactions be reported at their fair value. For further information on these transactions, see the Glossary entry for "Foreign debt exchange transactions" in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

Foreign Governments and Official Institutions: Foreign governments and official institutions are central, state, provincial, and local governments in foreign countries and their ministries, departments, and agencies. These include treasuries, ministries of finance, central banks, development banks, exchange control offices, stabilization funds, diplomatic establishments, fiscal agents, and nationalized banks and other banking institutions that are owned by central governments and that have as an important part of their function activities similar to those of a treasury, central bank, exchange control office, or stabilization fund. For purposes of these reports, other government-owned enterprises are not included.

Also included as foreign official institutions are international, regional, and treaty organizations, such as the International Monetary Fund, the International Bank for Reconstruction and Development (World Bank), the Bank for International Settlements, the Inter-American Development Bank, and the United Nations.

Foreign Office: For purposes of these reports, a foreign office of the reporting bank is a branch or consolidated subsidiary located in a foreign country; an Edge or Agreement subsidiary, including both its U.S. and its foreign offices; or an IBF. In addition, if the reporting bank is chartered and headquartered in the 50 states of the United States and the District of Columbia, a branch or consolidated subsidiary located in Puerto Rico or a U.S. territory or possession is a foreign office. Branches on U.S. military facilities wherever located are treated as domestic offices, not foreign offices.

Forward Contracts: See "derivative contracts."

Functional Currency: See "foreign currency transactions and translation."

Futures Contracts: See "derivative contracts."

Goodwill: According to ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), "Business Combinations"), goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The private company accounting alternative for identifiable intangible assets acquired in a business combination is discussed in a subsection of this Glossary entry. In addition, see "acquisition method" in the Glossary entry for "business combinations" for guidance on the recognition and initial measurement of goodwill acquired in a business combination.

Subsequent Measurement of Goodwill – Goodwill should not be amortized, but must be tested for impairment at the reporting unit level at least annually, unless an institution meets the definition of a private company, as defined in U.S. GAAP, and elects either or both of the goodwill accounting alternatives described below. Any impairment losses recognized on goodwill during the year-to-date reporting period should be reported in Schedule RI, item 7.c.(1), "Goodwill impairment losses," except those impairment losses associated with discontinued operations, which should be reported on a net-of-tax basis in Schedule RI, item 11. Goodwill, net of any impairment losses, should be reported on the balance sheet in Schedule RC, item 10, and in Schedule RC-M, item 2.b.

Private Company Accounting Alternatives for Goodwill – ASC Subtopic 350-20, Intangibles-Goodwill and Other – Goodwill, generally permits a private company, as defined in U.S. GAAP, to elect an accounting alternative for goodwill under which goodwill is amortized on a straight-line basis over a period of ten years (or less than ten years if more appropriate) and a simplified impairment model is applied to goodwill. In addition, if a private company chooses to adopt this goodwill accounting alternative, the private company is required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill must be tested for impairment when a triggering event occurs that indicates that the fair value of an entity or a reporting unit, as appropriate under this private company's accounting policy election, may be below its carrying amount. Alternatively, ASC Subtopic 350-20, Intangibles – Goodwill and Other – Goodwill, as amended by ASU 2021-03, "Accounting Alternative for Evaluating Triggering Events," allows a private company to elect to evaluate goodwill at each reporting date instead applying of the requirement to monitor goodwill impairment triggering events during the reporting period. Private companies that elect the triggering event alternative evaluate the facts and circumstances at the end of each reporting period to determine whether a triggering event exists, and if so, whether it is more likely than not that goodwill is impaired.

U.S. GAAP for a public business entity does not permit goodwill to be amortized, instead requiring goodwill to be tested for impairment at the reporting unit level annually and between annual tests in certain circumstances. For information on the distinction between a private company and a public business entity, see the Glossary entry for "public business entity."

A bank or savings association that meets the definition of a private company is permitted, but not required to adopt the private company accounting alternatives for goodwill. If a private institution issues U.S. GAAP financial statements and chooses to adopt either or both the private company alternatives, it should apply the goodwill accounting alternative(s) in its Call Report in a manner consistent with its reporting of goodwill in its financial statements.

Goodwill amortization expense should be reported in item 7.c.(1) of the Call Report income statement (Schedule RI) unless the amortization is associated with a discontinued operation, in which case the goodwill amortization should be included within the results of discontinued operations and reported in Schedule RI, item 11.

Goodwill Impairment Testing – ASC Subtopic 350-20 provides guidance for testing and reporting goodwill impairment losses, a summary of which follows. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Because the fair value of goodwill can be measured only as a residual and cannot be measured directly, ASC Subtopic 350-20 includes a methodology for estimating the implied fair value of goodwill for impairment measurement purposes.

Premiums and Discounts (cont.):

For callable debt securities that have explicit, non-contingent call features and are callable at fixed prices and on preset dates, ASC Subtopic 310-20, Receivables - Nonrefundable Fees and Other Costs, requires the amortization period to be limited to its earliest call date for any premiums on such debt securities. Under ASC Subtopic 310-20, the excess of the amortized cost basis of such a callable debt security over the amount repayable by the issuer at the earliest call date (i.e., the premium) must be amortized to the earliest call date (unless the institution applies the guidance that allows estimates of future principal prepayments to be considered in the effective yield calculation). If the call option is not exercised at its earliest call date, the institution must reset the effective yield using the payment terms of the debt security.[1]

A premium or discount may also arise when the reporting institution, acting either as a lender or a borrower, is involved in an exchange of a note for assets other than cash and the interest rate is either below the market rate or not stated, or the face amount of the note is materially different from the fair value of the noncash assets exchanged. The noncash assets and the related note shall be recorded at either the fair value of the noncash assets or the market value of the note, whichever is more clearly determinable. The market value of the note would be its present value as determined by discounting all future payments on the note using an appropriate interest rate, i.e., a rate comparable to that on new loans of similar risk. The difference between the face amount and the recorded value of the note is a premium or discount. This discount or premium shall be accounted for as an adjustment of the interest income or expense over the life of the note using the interest method described above. For further information, see ASC Subtopic 835-30, Interest – Imputation of Interest (formerly APB Opinion No. 21, "Interest on Receivables and Payables").

Private Company: A private company is a business entity that is not a public business entity. For further information, see the Glossary entry for "public business entity."

Public Business Entity: Accounting Standards Update No. 2013-12, "Definition of a Public Business Entity," added this term to the Master Glossary in the Accounting Standards Codification. The definition states that a business entity, such as bank or savings association, that meets any one of five specified criteria is a public business entity for reporting purposes under U.S. GAAP. This also applies for Call Report purposes. In contrast, a private company is a business entity that is not a public business entity. An institution that is a public business entity is not permitted to apply private company accounting alternatives when preparing its Call Report.

As defined in the ASC Master Glossary, a business entity is a public business entity if it meets any one of the following criteria:

- It is required by the U.S. Securities and Exchange Commission (SEC) to file or furnish financial statements, or does file or furnish financial statements (including voluntary filers), with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).
- It is required by the Securities Exchange Act of 1934 (the Act), as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency other than the SEC (such as one of the federal banking agencies).
- It is required to file or furnish financial statements with a foreign or domestic regulatory agency in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer.

Public Business Entity (cont.):

- It has issued debt or equity securities that are traded, listed, or quoted on an exchange or an over-the-counter market, which includes an interdealer quotation or trading system for securities not listed on an exchange (for example, OTC Markets Group, Inc., including the OTC Pink Markets, or the OTC Bulletin Board).
- It has one or more securities that are not subject to contractual restrictions on transfer, and it is required by law, contract, or regulation to prepare U.S. GAAP financial statements (including footnotes) and make them publicly available on a periodic basis (for example, interim or annual periods). An entity must meet both of these conditions to meet this criterion.

The Master Glossary also explains that if an entity meets the definition of a public business entity solely because its financial statements or financial information is included in another entity's filing with the SEC, the entity is only a public business entity for purposes of financial statements that are filed or furnished with the SEC, but not for other reporting purposes or for Call Report purposes.

If a bank or savings association does not meet any one of the first four criteria, it would need to consider whether it meets both of the conditions included in the fifth criterion to determine whether it would be a public business entity. With respect to the first condition under the fifth criterion, a stock institution must determine whether it has a class of securities not subject to contractual restrictions on transfer, which the FASB has stated means that the securities are not subject to management preapproval on resale. A contractual management preapproval requirement that lacks substance would raise questions about whether the stock institution meets this first condition.

If an institution is a wholly owned subsidiary of a holding company, an implicit contractual restriction on transfer is presumed to exist on the institution's common stock; therefore, if the institution has issued no other debt or equity securities, the institution would not meet the first condition of the fifth criterion. A mutual institution that has issued no debt securities also does not meet the first condition of the fifth criterion. In all other scenarios (e.g., a closely-held bank or a Subchapter S bank that is not a wholly owned subsidiary of a holding company), an institution should assess whether contractual restrictions on transfer exist on its securities based on its individual facts and circumstances.

With respect to the second condition under the fifth criterion, an insured depository institution with $500 million or more in total assets as of the beginning of its fiscal year is required by Section 36 of the Federal Deposit Insurance Act and Part 363 of the FDIC's regulations, "Annual Independent Audits and Reporting Requirements," to prepare and make publicly available audited annual U.S. GAAP financial statements. In certain circumstances, an insured depository institution with $500 million or more in total assets that is a subsidiary of a holding company may choose to satisfy this annual financial statement requirement at a holding company level rather than at the institution level. An insured depository institution of this size that satisfies the financial statement requirement of Section 36 and Part 363 at either the institution level or the holding company level would meet the fifth criterion's second condition.

Purchase Acquisition: See "business combinations."

Purchased Credit-Deteriorated Assets: This Glossary entry applies to institutions that have adopted ASC Topic 326, Financial Instruments–Credit Losses. Institutions that have not adopted ASC Topic 326 should continue to refer to the Glossary entry for "purchased credit-impaired loans and debt securities."

Purchased credit-deteriorated (PCD) assets are acquired financial assets that, at acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by an acquirer's assessment.

In accordance with ASC Topic 326, institutions are required to estimate and record an allowance for credit losses (ACL) for PCD assets at the time of purchase. This acquisition date ACL is added to the

<u>Servicing Assets and Liabilities (cont.):</u>
increased obligation based on fair value at each quarter-end report date. The servicing assets within a class should be stratified into groups based on one or more of the predominant risk characteristics of the underlying financial assets. If the carrying amount of a stratum of servicing assets exceeds its fair value, the bank should separately recognize impairment for that stratum by reducing the carrying amount to fair value through a valuation allowance for that stratum. The valuation allowance should be adjusted to reflect changes in the measurement of impairment subsequent to the initial measurement of impairment. For the servicing liabilities within a class, if subsequent events have increased the fair value of the liability above the carrying amount of the servicing liabilities, the bank should recognize the increased obligation as a loss in current earnings.

Under the <u>fair value measurement method</u>, all servicing assets or servicing liabilities in a class should be measured at fair value at each quarter-end report date. Changes in the fair value of these servicing assets and servicing liabilities should be reported in earnings in the period in which the changes occur.

For purposes of these reports, servicing assets resulting from contracts to service loans secured by real estate (as defined for Schedule RC-C, Part I, item 1, in the Glossary entry for "Loans secured by real estate") should be reported in Schedule RC-M, item 2.a, "Mortgage servicing assets." Servicing assets resulting from contracts to service all other financial assets should be reported in Schedule RC-M, item 2.c, "All other intangible assets." When reporting the carrying amount of mortgage servicing assets in Schedule RC-M, item 2.a, and nonmortgage servicing assets in Schedule RC-M, item 2.c, banks should include all classes of servicing accounted for under the amortization method as well as all classes of servicing accounted for under the fair value measurement method. The fair value of all recognized mortgage servicing assets should be reported in Schedule RC-M, item 2.a.(1), regardless of the subsequent measurement method applied to these assets. The amount of mortgage servicing assets reported in Schedule RC-M, item 2.a, should be used when determining the amount of such assets, net of associated deferred tax liabilities, that exceeds the common equity tier 1 capital deduction thresholds in Schedule RC-R, Part I. Servicing liabilities should be reported in Schedule RC-G, item 4, “All other liabilities.” In the Call Reports for June and December, if the amount of servicing liabilities is greater than $100,000 and exceeds 25 percent of “All other liabilities,” this amount should be itemized and described in Schedule RC-G, item 4.f, 4.g, or 4.h, as appropriate.

Servicing assets and servicing liabilities may not be netted on the balance sheet (Schedule RC), but must be reported gross as assets and liabilities, respectively.

Changes in the fair value of any class of servicing assets and servicing liabilities accounted for under the fair value measurement method should be included in earnings in Schedule RI, item 5.f, “Net servicing fees.” In addition, an institution must report in Schedule SU, item 6, whether it services any closed-end 1-4 family residential mortgage loans or more than $10 million of other financial assets. If so, the institutions must report information about the serviced assets in Schedule SU, item 6.a.

<u>Settlement Date Accounting:</u> <u>See</u> "trade date and settlement date accounting."

<u>Shell Branches:</u> Shell branches are limited service branches that do not conduct transactions with residents, other than with other shell branches, in the country in which they are located. Transactions at shell branches are usually initiated and effected by their head office or by other related branches outside the country in which the shell branches are located, with records and supporting documents maintained at the initiating offices. Examples of such locations are the Bahamas and the Cayman Islands.

<u>Short Position:</u> When an institution sells an asset that it does not own or sells more of an asset than it owns, it has established a short position. If an institution is in a short position with respect to a particular asset on the report date, the institution shall report its liability to purchase the asset in Schedule RC, item 15, “Trading liabilities.” In this situation, the right to receive payment shall be reported in Schedule RC-F, item 6, “All other assets.” Because short positions are reported as trading liabilities, each short position should be reported and measured at fair value as defined by ASC Topic 820, Fair Value Measurement. Changes in the fair value measurement of trading liabilities should be

Short Position (cont.):
recognized as trading revenue and reported on Schedule RI, item 5.l, "Other noninterest income."

For Call Report purposes, if an institution holds a trading asset (i.e., a long position) and sells more of the identical trading asset than it owns, the institution may report the net amount of the long and short positions as a trading liability only if an identical unique identifier, such as a CUSIP or ISIN number,[1] is used to determine such net amount and the institution has determined that this reporting treatment is appropriate under U.S. GAAP.

Significant Subsidiary: <u>See</u> "subsidiaries."

Standby Letter of Credit: <u>See</u> "letter of credit."

Start-Up Activities: Guidance on the accounting and reporting for the costs of start-up activities, including organization costs, is set forth in ASC Subtopic 720-15, Other Expenses – Start-Up Costs (formerly AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities"). A summary of this accounting guidance follows. For further information, see ASC Subtopic 720-15.

Start-up activities are defined broadly as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer, or commencing some new operation. Start-up activities include activities related to organizing a new entity, such as a new bank, the costs of which are commonly referred to as organization costs.[2]

Costs of start-up activities, including organization costs, should be expensed as incurred. Costs of acquiring or constructing premises and fixed assets and getting them ready for their intended use are not start-up costs, but the costs of using such assets that are allocated to start-up activities (e.g., depreciation of computers) are considered start-up costs.

For a new bank, pre-opening expenses such as salaries and employee benefits, rent, depreciation, supplies, directors' fees, training, travel, postage, and telephone are considered start-up costs.

Pre-opening income earned and expenses incurred from the bank's inception until the date the bank commences operations should be reported in the Consolidated Report of Income using one of the two following methods, consistent with the manner in which the bank reports pre-opening income and expenses for other financial reporting purposes:

(1) Pre-opening income and expenses for the entire period from the bank's inception until the date the bank commences operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commence; or

(2) Pre-opening income and expenses for the period from the bank's inception until the beginning of the calendar year in which the bank commences operations should be included, along with the bank's opening (original) equity capital, in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net." The net amount of these pre-opening income and expenses should be identified and described in Schedule RI-E, item 7. Pre-opening income earned and expenses incurred during the calendar year in which the bank commences operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commence.

---

[1] A Committee on Uniform Securities Identification Procedures (CUSIP) number or an International Securities Identification Number (ISIN) is used to uniquely identify a specific security.

[2] Organization costs for a bank are the <u>direct</u> costs incurred to incorporate and charter the bank. Such costs include, but are not limited to, professional (e.g., legal, accounting, and consulting) fees and printing costs directly related to the chartering or incorporation process, filing fees paid to chartering authorities, and the cost of economic impact studies.

Start-Up Activities (cont.):

The organization costs of forming a holding company and the costs of other holding company start-up activities are sometimes paid by the bank that will be owned by the holding company. Because these are the holding company's costs, whether or not the holding company formation is successful, they should not be reported as expenses of the bank. Accordingly, any unreimbursed costs paid by the bank on behalf of the holding company should be reported as a cash dividend to the holding company in Schedule RI-A, item 9. In addition, if a new bank and holding company are being formed at the same time, the costs of the bank's start-up activities, including its organization costs, should be reported as start-up costs for the bank. If the holding company pays these costs for the bank but is not reimbursed by the bank, the bank should treat the holding company's forgiveness of payment as a capital contribution, which should be reported in Schedule RI-A, item 11, "Other transactions with stockholders (including a parent holding company)," and in Schedule RI-E, item 5.

This page intentionally left blank.

Subordinated Notes and Debentures: A subordinated note or debenture is a form of debt issued by a bank or a consolidated subsidiary. When issued by a bank, a subordinated note or debenture is not insured by a federal agency, is subordinated to the claims of depositors, and has an original weighted average maturity of five years or more. Such debt shall be issued by a bank with the approval of, or under the rules and regulations of, the appropriate federal bank supervisory agency and is to be reported in Schedule RC, item 19, "Subordinated notes and debentures."

When issued by a subsidiary, a note or debenture may or may not be explicitly subordinated to the deposits of the parent bank and is to be reported in Schedule RC, item 16, "Other borrowed money," or item 19, "Subordinated notes and debentures," as appropriate.

Those subordinated notes and debentures that are to be reported in Schedule RC, item 19, include mandatory convertible debt.

Subsidiaries: The treatment of subsidiaries in the Consolidated Reports of Condition and Income depends upon the degree of ownership held by the reporting bank.

A majority-owned subsidiary of the reporting bank is a subsidiary in which the parent bank directly or indirectly owns more than 50 percent of the outstanding voting stock.

A significant subsidiary of the reporting bank is a majority-owned subsidiary that meets any one or more of the following tests:

(1) The bank's direct and indirect investment in and advances to the subsidiary equals five percent or more of the total equity capital of the parent bank.

NOTE: For the purposes of this test, the amount of direct and indirect investments and advances is either (a) the amount carried on the books of the parent bank or (b) the parent's proportionate share in the total equity capital of the subsidiary, whichever is greater.

(2) The parent bank's proportional share (based on equity ownership) of the subsidiary's gross operating income or revenue amounts to five percent or more of the gross operating income or revenue of the consolidated parent bank.

(3) The subsidiary's income or loss before income taxes amounts to five percent or more of the parent bank's income or loss before income taxes.

(4) The subsidiary is, in turn, the parent of one or more subsidiaries which, when consolidated with the subsidiary, constitute a significant subsidiary as defined in one or more of the above tests.

An associated company is a corporation in which the bank, directly or indirectly, owns 20 to 50 percent of the outstanding voting stock *and* over which the bank exercises significant influence. This 20 to 50 percent ownership is presumed to carry "significant" influence unless the bank can demonstrate the contrary to the satisfaction of the appropriate federal supervisory authority.

A corporate joint venture is a corporation owned and operated by a group of banks or other businesses ("joint venturers"), no one of which has a majority interest, as a separate and specific business or project for the mutual benefit of the joint venturers. Each joint venturer may participate, directly or indirectly, in the management of the joint venture. An entity that is a majority-owned subsidiary of one of the joint venturers is not a corporate joint venture.

The equity ownership in majority-owned subsidiaries that are not consolidated on the Reports of Condition and Income (in accordance with the guidance in the General Instructions on the Scope of the "Consolidated Bank" Required to be Reported in the Submitted Reports) and in associated companies

<u>Subsidiaries (cont.):</u>

is accounted for using the equity method of accounting and is reported in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies," or item 9, "Direct and indirect investments in real estate ventures," as appropriate.

Ownership in a corporate joint venture is to be treated in the same manner as an associated company (defined above) only to the extent that the equity share represents significant influence over management. Otherwise, equity holdings in a joint venture are treated as holdings of corporate stock and income is recognized only when distributed in the form of dividends.

<u>See also</u> "equity method of accounting."

<u>Suspense Accounts:</u> Suspense accounts are temporary holding accounts in which items are carried until they can be identified and their disposition to the proper account can be made. Such accounts may also be known as interoffice or clearing accounts. The balances of suspense accounts as of the report date should not automatically be reported as "Other assets" or "Other liabilities." Rather, the items included in these accounts should be reviewed and material amounts should be reported in the appropriate accounts of the Consolidated Reports of Condition and Income.

<u>Sweep Deposits:</u> "Sweep deposit" means a deposit held at the reporting institution by a customer or counterparty through a contractual feature that automatically transfers to the reporting institution from another regulated financial company at the close of each business day amounts under the agreement governing the account from which the amount is being transferred. (Note: This definition of a "sweep deposit" is distinctly separate from the existing "retail sweep arrangements" and "retail sweep programs" definitions in the "Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts" section of the Glossary entry for "Deposits.")

"Affiliate sweep deposit" means a sweep deposit that is deposited in accordance with a contract between a customer or counterparty and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary.

"Non-affiliate sweep deposit" means a sweep deposit that is deposited in accordance with a contract between a customer or counterparty and an entity that is not affiliated with the reporting institution.

"Affiliate retail sweep deposit" means a sweep deposit that is deposited in accordance with a contract between a "retail customer or counterparty" and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary.

"Non-affiliate retail sweep deposit" means a sweep deposit that is deposited in accordance with a contract between a "retail customer or counterparty" and an entity that is not affiliated with the reporting institution.

"Retail customer or counterparty" means a customer or counterparty that is:

(1) An individual;
(2) A business customer, but solely if and to the extent that:
  - (i) The reporting institution manages its transactions with the business customer, including deposits, unsecured funding, and credit facility and liquidity facility transactions, in the same way it manages its transactions with individuals;
  - (ii) Transactions with the business customer have liquidity risk characteristics that are similar to comparable transactions with individuals; and
  - (iii) The total aggregate funding raised from the business customer is less than $1.5 million; or

(3) A living or testamentary trust that:
  - (i) Is solely for the benefit of natural persons;
  - (ii) Does not have a corporate trustee; and

Sweep Deposits (cont.):

(iii) Terminates within 21 years and 10 months after the death of grantors or beneficiaries of the trust living on the effective date of the trust or within 25 years, if applicable under state law.

Syndications: A syndication is a participation, usually involving shares in a single loan, in which several participants agree to enter into an extension of credit under a bona fide binding agreement that provides that, regardless of any event, each participant shall fund and be at risk only up to a specified percentage of the total extension of credit or up to a specified dollar amount. In a syndication, the participants agree to the terms of the participation prior to the execution of the final agreement and the contract is executed by the obligor and by all the participants, although there is usually a lead institution organizing or managing the credit. Large commercial and industrial loans, large loans to finance companies, and large foreign loans may be handled through such syndicated participations.

Each participant in the syndicate, including the lead bank, records its own share of the participated loan and the total amount of the loan is not entered on the books of one bank to be shared through transfers of loans. Thus, the initial operation and distribution of this type of participation does not require a determination as to whether a transfer that should be accounted for as a sale has occurred. However, any subsequent transfers of shares, or parts of shares, in the syndicated loan would be subject to the provisions of ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” as amended), governing whether these transfers should be accounted for as a sale or a secured borrowing. (See the Glossary entry for "transfers of financial assets.")

Telephone Transfer Account: See "deposits."

Term Federal Funds: See "federal funds transactions."

Time Deposits: See "deposits."

Trade Date and Settlement Date Accounting: For purposes of the Consolidated Reports of Condition and Income, the preferred method for reporting transactions in held-to-maturity securities, available-for-sale securities, and trading assets (including money market instruments) other than derivative contracts (see the Glossary entry for "derivative contracts") is on the basis of trade date accounting. However, if the reported amounts under settlement date accounting would not be materially different from those under trade date accounting, settlement date accounting is acceptable. Whichever method a bank elects should be used consistently, unless the bank has elected settlement date accounting and subsequently decides to change to the preferred trade date method.

Under trade date accounting, assets purchased shall be recorded in the appropriate asset category on the trade date and the bank's obligation to pay for those assets shall be reported in Schedule RC-G, item 4, "All other liabilities." Conversely, when an asset is sold, it shall be removed on the trade date

This page intentionally left blank.

Trade Date and Settlement Date Accounting (cont.):

from the asset category in which it was recorded, and the proceeds receivable resulting from the sale shall be reported in Schedule RC-F, item 6, "All other assets." Any gain or loss resulting from such transaction shall also be recognized on the trade date. On the settlement date, disbursement of the payment or receipt of the proceeds will eliminate the respective "All other liabilities" or "All other assets" entry resulting from the initial recording of the transaction.

Under settlement date accounting, assets purchased are not recorded until settlement date. On the trade date, no entries are made. Upon receipt of the assets on the settlement date, the asset is reported in the proper asset category and payment is disbursed. The selling bank, on the trade date, would make no entries. On settlement date, the selling bank would reduce the appropriate asset category and reflect the receipt of the payment. Any gain or loss resulting from such transaction would be recognized on the settlement date.

Trading Account: Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as accommodations to customers, provided that acquiring or taking such positions meets the definition of “trading” in ASC Topic 320, Investments–Debt Securities, and ASC Topic 815, Derivatives and Hedging, and the definition of “trading purposes” in ASC Topic 815.

For purposes of the Consolidated Reports of Condition and Income, all debt securities within the scope of ASC Topic 320, Investments-Debt Securities, that a bank has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities.

In addition, for purposes of these reports, banks may classify assets (other than debt securities within the scope of ASC Topic 320 for which a fair value option is elected) and liabilities as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets and liabilities as trading positions, subject to the controls and applicable regulatory guidance related to trading activities.

For example, a bank would generally not classify a loan to which it has applied the fair value option as a trading asset unless the bank holds the loan, which it manages as a trading position, for one of the following purposes: (1) for market making activities, including such activities as accumulating loans for sale or securitization; (2) to benefit from actual or expected price movements; or (3) to lock in arbitrage profits.

All trading assets should be segregated from a bank's other assets and reported in Schedule RC, item 5, "Trading assets."

A bank's failure to establish a separate account for assets that are used for trading purposes does not prevent such assets from being designated as trading for purposes of these reports. For further information, see ASC Topic 320.

All trading account assets should be reported at their fair value as defined by ASC Topic 820, Fair Value Measurement, with unrealized gains and losses recognized as trading revenue and reported in Schedule RI, item 5.l, “Other noninterest income.” When a security or other asset is acquired, a bank should determine whether it intends to hold the asset for trading or for investment (e.g., for debt securities, available-for-sale or held-to-maturity). A bank should not record a newly acquired asset in a suspense account and later determine whether it was acquired for trading or investment purposes. Regardless of how a bank categorizes a newly acquired asset, management should document its decision.

All trading liabilities should be segregated from other transactions and reported in Schedule RC, item 15, "Trading liabilities." The trading liability account includes the fair value of derivative contracts held for trading that are in loss positions and short positions arising from sales of securities and other assets that institution does not own or sales of more of a security or other asset than the institution

Trading Account (cont.):

owns. (See the Glossary entry for "Short Position.") Trading account liabilities should be reported at fair value as defined by ASC Topic 820 with unrealized gains and losses recognized as trading revenue and reported in Schedule RI, item 5.l, "Other noninterest income."

Given the nature of the trading account, transfers into or from the trading category should be rare. Transfers between a trading account and any other account of the bank must be recorded at fair value at the time of the transfer. For a security transferred from the trading category, the unrealized holding gain or loss at the date of the transfer will already have been recognized in earnings and should not be reversed. For a security transferred into the trading category, the unrealized holding gain or loss at the date of the transfer should be recognized in earnings.

Transaction Account: See "deposits."

Transactions Between Entities under Common Control: See "business combinations."

Transfers of Financial Assets: The accounting and reporting standards for transfers of financial assets are set forth in ASC Topic 860, Transfers and Servicing. Banks must follow ASC Topic 860 for purposes of these reports. ASC Topic 860 limits the circumstances in which a financial asset, or a portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset or when the transferor has continuing involvement with the transferred financial asset. ASC Topic 860 also defines a "participating interest" (which is discussed more fully below) and establishes the accounting and reporting standards for loan participations, syndications, and other transfers of portions of financial assets. A summary of these accounting and reporting standards follows. For further information, see ASC Topic 860.

A financial asset is cash, evidence of an ownership interest in another entity, or a contract that conveys to the bank a contractual right either to receive cash or another financial instrument from another entity or to exchange other financial instruments on potentially favorable terms with another entity. Most of the assets on a bank's balance sheet are financial assets, including balances due from depository institutions, securities, federal funds sold, securities purchased under agreements to resell, loans and lease financing receivables, and interest-only strips receivable.[1] However, servicing assets are not financial assets. Financial assets also include financial futures contracts, forward contracts, interest rate swaps, interest rate caps, interest rate floors, and certain option contracts.

A transferor is an entity that transfers a financial asset, an interest in a financial asset, or a group of financial assets that it controls to another entity. A transferee is an entity that receives a financial asset, an interest in a financial asset, or a group of financial assets from a transferor.

In determining whether a bank has surrendered control over transferred financial assets, the bank must first consider whether the entity to which the financial assets were transferred would be required to be consolidated by the bank. If it is determined that consolidation would be required by the bank, then the transferred financial assets would not be treated as having been sold in the bank's Consolidated Reports of Condition and Income even if all of the other provisions listed below are met.[2]

Determining Whether a Transfer Should be Accounted for as a Sale or a Secured Borrowing – A transfer of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset in which the transferor surrenders control over those financial assets shall be accounted for as a sale if and only if all of the following conditions are met:

---

[1] ASC Topic 860 defines an interest-only strip receivable as the contractual right to receive some or all of the interest due on a bond, mortgage loan, collateralized mortgage obligation, or other interest-bearing financial asset.

[2] The requirements in ASC Subtopic 810-10, Consolidation – Overall, should be applied to determine when a variable interest entity should be consolidated. For further information, refer to the Glossary entry for "variable interest entity."