

## September 2021 COVID-19 Related Supplemental Instructions (FFIEC 101)

The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (Board), and the Office of the Comptroller of the Currency (collectively, the agencies) have issued and received emergency approvals from the U.S. Office of Management and Budget (OMB) for certain revisions to the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101) that became effective as of the March 31, 2020, and the June 30, 2020, report dates. These revisions resulted from several interim final rules (IFRs) issued by one or all of the agencies in response to the impact on the financial markets and the strains on the U.S. economy as a result of Coronavirus Disease 2019 (COVID-19). During the third quarter of 2020, the agencies finalized several of the IFRs with no changes or only limited changes.

The revisions impacting the FFIEC 101 include updates to the calculation of certain amounts reported on Schedule A, Advanced Approaches Regulatory Capital, including the Supplementary Leverage Ratio (SLR) Tables.

The agencies have now finalized these reporting changes through the standard Paperwork Reduction Act process<sup>1</sup> and have received OMB approval for these changes.

These September 2021 COVID-19 Related Supplemental Instructions update, as appropriate, and replace the “June 2021 COVID-19 Related Supplemental Instructions (FFIEC 101),” which were previously posted on the FFIEC 101 webpage. Instructions for the “Regulatory Capital Rule Revised Transition of the Current Expected Credit Losses Methodology for Allowances”<sup>2</sup> have been removed from the September 2021 COVID-19 Related Supplemental Instructions and incorporated into the FFIEC 101 instruction book.

For further information on the rulemakings<sup>3</sup> affecting the FFIEC 101 addressed in these Supplemental Instructions, see the following *Federal Register* notices:

- [Regulatory Capital Rule: Money Market Liquidity Fund \(MMLF\) \(IFR\)](#);
- [Regulatory Capital Rule: Paycheck Protection Program Liquidity Facility \(PPPLF\) and Paycheck Protection Program Loans \(PPP\) \(IFR\)](#);
- [Regulatory Capital Rule: Treatment of Certain Emergency Facilities in the Regulatory Capital Rule and the Liquidity Coverage Ratio Rule \(Final Rule\)](#);

<sup>1</sup> See [FIL-110-2020](#) dated December 1, 2020, and [85 FR 74784](#) (November 23, 2020).

<sup>2</sup> The banking agencies issued a press release on August 26, 2020, announcing the finalization of multiple interim final rules including Revised Transition of the Current Expected Credit Losses Methodology for Allowances.

<sup>3</sup> The banking agencies issued a press release on September 29, 2020, announcing the finalization of the interim final rules for the MMLF and the PPPLF and PPP Loans.

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## **I. Interim Final Rule for the Money Market Liquidity Facility (MMLF)**

To enhance the liquidity and functioning of money markets, the Federal Reserve Bank of Boston [launched](#) the Money Market Mutual Fund Liquidity Facility, or MMLF, on March 18, 2020. On March 23, 2020, the agencies published an [interim final rule](#), which permits banking organizations to exclude from regulatory capital requirements exposures related to the MMLF. On October 28, 2020, the banking agencies published a [final rule](#) confirming the revisions made in the interim final rule without any changes.

The interim final rule modifies the agencies' capital rule to allow banking organizations to neutralize the effects of purchasing assets through the MMLF on their risk-based and leverage capital ratios. This treatment extends to the community bank leverage ratio. Specifically, a banking organization may exclude from its total leverage exposure, average total consolidated assets, standardized total risk-weighted assets, and advanced approaches total risk-weighted assets, as applicable, any exposure acquired pursuant to a non-recourse loan from the MMLF. The interim final rule only applies to activities with the MMLF. The facility expired as scheduled on March 31, 2021.

Consistent with generally accepted accounting principles (GAAP), the agencies would expect banking organizations to report assets purchased through the MMLF on their balance sheets.

Starting with the March 31, 2020, report date, advanced approaches banking organizations should **not** include assets purchased from the MMLF in "Total risk-weighted assets (RWAs)" reported in the FFIEC 101, Schedule A, item 60. For banking organizations subject to the supplementary leverage ratio requirement, assets purchased from the MMLF would receive similar treatment as under the "leverage ratio" and should be reported in the FFIEC 101, Schedule A, SLR Tables. Specifically, the outstanding balance of these assets would continue to be reported in SLR Table 1, item 1.1, "Total consolidated assets as reported in published financial statements," and Table 2, item 2.1, "The balance sheet carrying value of all on-balance sheet assets." The average amount of these assets calculated as of each day of the reporting quarter also would be reported in SLR Table 1, item 1.7.c, "Adjustments for deductions of qualifying central bank deposits for custodial banking organizations," and SLR Table 2, item 2.2.b, "Deductions of qualifying central bank deposits from total on-balance sheet exposures for custodial banking organizations," even if a banking organization is not a custodial banking organization.

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

To enhance the liquidity of small business lenders and improve the functioning of the broader credit markets, the PPPLF was authorized by the Board of Governors of the Federal Reserve System on April 8, 2020, under section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)). Under the PPPLF, the Federal Reserve Banks will extend nonrecourse loans to eligible lenders, with the extensions of credit secured by SBA-guaranteed PPP<sup>4</sup> loans that the lenders have originated or purchased. On April 13, 2020, the agencies published an [interim final rule](#), which permits banking organizations to exclude from regulatory capital requirements PPP covered loans pledged under the PPPLF.<sup>5</sup> The interim final rule also clarifies that PPP covered loans as defined in section 7(a)(36) of the Small Business Act (15 U.S.C. 636(a)(36)) receive a zero percent risk weight. On October 28, 2020, the agencies published a [final rule](#) confirming the revisions made in the interim final rule without any changes.

The interim final rule modifies the agencies' capital rule and allows PPPLF-eligible banking organizations to neutralize the regulatory effects of PPP covered loans on their risk-based capital ratios, as well as PPP covered loans pledged under the PPPLF on their leverage capital ratios. When calculating leverage capital ratios, a banking organization may exclude from average total consolidated assets and, as applicable, total leverage exposure a PPP covered loan as of the date that it has been pledged under the

<sup>4</sup> The Paycheck Protection Program was established by Section 1102 of the 2020 CARES Act.

<sup>5</sup> See 85 FR 20387 (April 13, 2020).

PPPLF. Accordingly, a PPP covered loan that has not been pledged as collateral in connection with an extension of credit under the PPPLF would be included in the calculation of the banking organization's average total consolidated assets and, as applicable, total leverage exposure. This treatment extends to the community bank leverage ratio. No new extensions of credit will be made under the PPPLF after June 30, 2021<sup>6</sup>, unless the Federal Reserve Board and U.S. Department of Treasury jointly determine to extend the Facility.

Consistent with U.S. generally accepted accounting principles (U.S. GAAP), the agencies would expect banking organizations to report PPP covered loans on their balance sheets. Starting with the June 30, 2020, report date, advanced approaches banking organizations would not include PPP covered loans in "Total risk-weighted assets" reported in the FFIEC 101, Schedule A, item 60. For banking organizations subject to the supplementary leverage ratio requirement that file the FFIEC 101, PPP covered loans pledged to the PPPLF would be deducted as part of the calculation of total leverage exposure for the supplementary leverage ratio. Specifically, the outstanding balance of PPP loans would continue to be reported in SLR Table 1, item 1.1, "Total consolidated assets as reported in published financial statements," and Table 2, item 2.1, "The balance sheet carrying value of all on-balance sheet assets." A banking organization calculating its supplementary leverage ratio also would report PPP covered loans pledged to the PPPLF in SLR Table 1, item 1.7.c, "Adjustments for deductions of qualifying central bank deposits for custodial banking organizations," and in SLR Table 2, item 2.2.b, "Deductions of qualifying central bank deposits from total on-balance sheet exposures for custodial banking organizations," even if a banking organization is not a custodial banking organization.<sup>7</sup>

<sup>6</sup> See the [press release](#) issued by the Board on March 8<sup>th</sup> for more information.

<sup>7</sup> A banking organization would report PPP covered loans pledged to the PPPLF in item 1.7.c of SLR Table 1 and item 2.2.b of SLR Table 2 as the average amount of these assets calculated as of each day of the reporting quarter.