



FIL-31-2014
June 23, 2014

DEPOSITORY INSTITUTION REPORTS

TO: CHIEF EXECUTIVE OFFICER (also of interest to Chief Financial Officer)

SUBJECT: Proposed Regulatory Capital Reporting Changes

The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (Board), and the Office of the Comptroller of the Currency (OCC) (collectively, the agencies), under the auspices of the Federal Financial Institutions Examination Council (FFIEC), are requesting comment on proposed revisions to the risk-weighted assets portion of Schedule RC-R, Regulatory Capital, in the Consolidated Reports of Condition and Income (Call Report). As the FFIEC has previously advised, the agencies are proposing to replace existing Part II, Risk-Weighted Assets, of Schedule RC-R with a revised version of Part II that would incorporate the standardized approach for calculating risk-weighted assets under the revised regulatory capital rules approved by the agencies in July 2013 (see FIL-41-2013, dated September 24, 2013, and FIL-3-2014, dated January 22, 2014). The agencies also are proposing to revise the reporting of securities borrowed in Call Report Schedule RC-L, Derivatives and Off-Balance Sheet Items. These proposed changes would take effect as of the March 31, 2015, report date.

The proposed Call Report changes, which are described in the attached *Federal Register* notice, are consistent with the agencies' revised regulatory capital rules. A summary of the proposed changes to Schedule RC-R, Part II, and Schedule RC-L also is attached to this Financial Institution Letter. In addition, drafts of the proposed reporting form for revised Part II of Schedule RC-R, the limited revision to Schedule RC-L, and the related instructions will be available on the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm) on June 24, 2014. The FFIEC and the agencies encourage you to review the proposal and comment on those aspects of interest to you. You may send comments to any or all of the agencies by the methods identified in the *Federal Register* notice. Comments must be submitted by August 22, 2014. The FFIEC and the agencies will review and evaluate all comments as they finalize the proposed changes to the Call Report.

To assist you in understanding the proposed revisions to Schedule RC-R, Part II, and Schedule RC-L, the agencies will be holding a teleconference for depository institutions that file the Call Report on Friday, June 27, 2014, from 2:00 to 3:30 p.m. Eastern Daylight Time (EDT). The agencies will describe the proposed reporting changes and respond to questions requesting clarification about the proposed changes. Depository institution officers and employees wishing to participate in the teleconference should dial 888-455-0408 and enter passcode 2453966 #. Participants are asked to join the presentation 30 minutes before the 2:00 p.m. EDT starting time. Presentation materials for the teleconference will be available on the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm) on June 26, 2014. Participants also are encouraged to have copies of the drafts of the proposed revised reporting forms and the related instructions available for reference during the teleconference.

The agencies have issued an interagency Community Bank Guide to the revised regulatory capital rules (http://www.fdic.gov/regulations/capital/Community_Bank_Guide.pdf) to help such institutions understand the sections of these rules most relevant to their operations. Additional resources for community institutions on the revised rules are available on the FDIC's Web site at <http://www.fdic.gov/regulations/capital/> and on the OCC's Web site at <http://www.occ.treas.gov/news-issuances/news-releases/2013/2013-110c.pdf>. The Federal Reserve System publishes additional information for community banking organizations through its *Community Banking Connections* Web site at <http://www.communitybankingconnections.org>, and the Board maintains additional resources related to the revised regulatory capital rules on its Web site at <http://www.federalreserve.gov/bankinforeg/basel/USImplementation.htm>.

In addition, institutions are reminded that a revised version of the regulatory capital components and ratios portion of Schedule RC-R is currently being phased in (see FIL-14-2014, dated April 7, 2014). Advanced approaches institutions began to complete this revised portion of Schedule RC-R — designated Part I.B, Regulatory Capital Components and Ratios — in March 2014. All other institutions will continue to complete the previously existing version of the regulatory capital components and ratios portion of Schedule RC-R — now designated Part I.A of the schedule — through December 2014. As of the March 31, 2015, report date, Part I.A will be removed from Schedule RC-R; Part I.B will be relabeled Part I, Regulatory Capital Components and Ratios; and all institutions will complete Part I of Schedule RC-R. Part I of Schedule RC-R is aligned with the revised regulatory capital rules and provides a more detailed breakdown of the components of regulatory capital, including deductions and adjustments, than the version of the regulatory capital components and ratios portion of Schedule RC-R currently designated Part I.A.

Please forward this letter to the persons responsible for calculating regulatory capital and preparing the Call Report at your institution. For further information about the proposed revisions to Call Report Schedules RC-R and RC-L, state member banks should contact their Federal Reserve District Bank; national banks and federal savings associations should contact the OCC's Office of the Chief Accountant in Washington, D.C., by e-mail at callreporttaskforce@occ.treas.gov; and FDIC-supervised banks and savings associations should contact the FDIC's Data Collection and Analysis Section in Washington, D.C., by telephone at (800) 688-FDIC (3342) or by e-mail at insurance-research@fdic.gov.



Judith E. Dupré
Executive Secretary

Attachments

Distribution: FDIC-Supervised Banks (Commercial and Savings) and Savings Associations, National Banks and Federal Savings Associations, and State Member Institutions

Summary of Proposed Changes to Call Report Schedule RC-R, Part II, and Schedule RC-L

At present, Schedule RC-R, Part II, collects data on the allocation by risk-weight category of balance sheet asset amounts and credit equivalent amounts of derivatives and off-balance-sheet items. Institutions then calculate and report their risk-weighted assets by risk-weight category, standardized market risk-weighted assets (if applicable), and total risk-weighted assets. Certain data on derivative contracts are currently collected in the Memoranda section of Part II.

Under the agencies' proposal, Part II of Schedule RC-R would retain the same overall approach to the measurement of risk-weighted assets as in the current version of the schedule. However, in aligning proposed revised Part II with the revised regulatory capital rules, there would be a greater number of risk-weight categories to which balance sheet assets, derivatives, and off-balance-sheet items would be allocated. In many cases, the new risk-weight categories apply only in limited circumstances rather than to each category of assets, derivatives, and off-balance-sheet items. In the balance sheet asset section of proposed revised Part II of Schedule RC-R, greater detail would be collected on both held-for-sale and held-for-investment loans and leases than in the current version of the schedule. Institutions would separately report and allocate by risk-weight category their residential mortgage loan exposures, high volatility commercial real estate loan exposures, loan and lease exposures past due 90 days or more or on nonaccrual, and all other loan and lease exposures. Proposed revised Part II of Schedule RC-R also includes separate items for reporting on- and off-balance sheet securitization exposures, for which there are three separate approaches from which an institution must choose for risk-weighting purposes. In general, mortgage-backed and asset-backed securities that involve the tranching of credit risk are considered securitization exposures under the revised regulatory capital rules.

The section of proposed revised Part II of Schedule RC-R covering derivatives and off-balance sheet items would begin to capture data on the face value or notional amount of, credit equivalent amount of, and risk-weight category allocations for all repo-style transactions (securities lent, securities borrowed, and securities sold under agreements to repurchase) and all unused commitments with an original maturity of one year or less. Institutions also would report the amount of unconditionally cancelable commitments. The credit equivalent amounts and risk-weight category allocations for over-the-counter (OTC) and centrally cleared derivatives would be reported separately. Similarly, the remaining maturities of OTC and centrally cleared derivatives would be reported separately by underlying risk exposure in the Memoranda section of proposed revised Part II.

As with the current version of Schedule RC-R, institutions would report risk-weighted asset totals by risk-weight category in the section of proposed revised version of Part II that follows the sections for allocating assets, derivatives, and off-balance-sheet items by risk-weight category. Using these category totals, institutions would then calculate their total risk-weighted assets after taking any standardized market risk-weighted assets, excess allowance for loan and lease losses, and allocated transfer risk reserve into account.

At present, securities borrowed are reported and disclosed in Schedule RC-L only if the amount exceeds specified thresholds. The agencies are proposing to require securities borrowed, which will be reportable as a type of repo-style transaction in Part II of Schedule RC-R, to be reported in Schedule RC-L regardless of amount.