

September 2020 COVID-19 Related Supplemental Instructions (FR Y-9C Report)

In light of the disruptions to the economic conditions caused by the Coronavirus Disease 2019 (COVID-19), the Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, “the banking agencies”) issued interim final rules (IFR) and final rules that revise certain aspects of the agencies’ regulatory capital rule, and amend the Federal Reserve Board’s (Board) Regulation D on reserve requirements. In addition, Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides optional temporary relief from accounting for eligible loan modifications as troubled debt restructurings, which the agencies discussed in an [Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus \(Revised\)](#) issued April 7, 2020.

As described below, the Board has temporarily revised the FR Y-9C report to implement changes to the FR Y-9C report arising from the interim final rules mentioned above, and Section 4013 of the CARES Act. The reporting changes either took effect as of March 31, 2020, or June 30, 2020. The Board has requested public comment and finalized these changes in reporting through its delegated authority under the Paperwork Reduction Act. The Board will be submitting to OMB documentation to finalize these changes in the near future.

These FR Y-9C report revisions include:

- 1) Updates to the instructions for the calculation of certain amounts reported on Schedule HC-R, Regulatory Capital, to implement the changes to the Regulatory Capital Rule listed below.
- 2) New items on FR Y-9C report Schedule HC-C, Part I, Loans and Leases, and Schedule HC-M, Memoranda, to collect data on:
 - a. Eligible loan modifications under Section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 CARES Act, with these items collected on a confidential basis;
 - b. U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loans under the Federal Reserve PPP Liquidity Facility (PPPLF).

The Board expects the collection of these new items to be through December 31, 2021.

- 3) Revisions to the definitions of certain deposits reported on FR Y-9C report Schedule HC-E, Deposit Liabilities, in response to an IFR amending the Board’s Regulation D (12 CFR 204).

These September 2020 COVID-19 Related Supplemental Instructions update, as appropriate; and replace the “June 2020 COVID-19 Related Supplemental Instructions (FR Y-9C report),” which were posted on the Board is reporting forms and instructions webpage. The FR Y-9C report instruction book will be updated to incorporate relevant information from these September 2020 COVID-19 Related Supplemental Instructions after the Board has submitted to OMB these FR Y-9C report revisions.

For further information on the recent rulemakings¹, see the following Federal Register notices:

- [Regulatory Capital Rule: Eligible Retained Income](#);
- [Regulatory Capital Rule: Eligible Retained Income \(Final Rule\)](#);
- [Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances](#);
- [Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances \(Correcting Amendment to IFR\)](#);
- [Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances \(Final Rule\)](#);
- [Regulatory Capital Rule: MMLF](#);

¹ The banking agencies issued a press release on August 26, 2020 announcing the finalization of four rules: Eligible Retained Income; Revised Transition of the Current Expected Credit Losses Methodology for Allowances; and Changes to, and Transition to, the Community Bank Leverage Ratio (CBLR) Framework. See <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200826a.htm>.

- [Regulatory Capital Rule: Changes to the Community Bank Leverage Ratio \(CBLR\) Framework;](#)
- [Regulatory Capital Rule: Transition for the CBLR Framework;](#)
- [Regulatory Capital Rule: Temporary Changes to and Transition for the CBLR Framework \(Final Rule\)](#)
- [Regulatory Capital Rule: PPPLF and PPP Loans; and](#)
- [Regulation D: Reserve Requirements of Depository Institutions.](#)

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1. Change in the Definition of Eligible Retained Income

The instructions for Schedule HC-R, Part I, item 53, have been revised to incorporate revisions reflected in the interim final rule published in the [Federal Register](#) on March 20, 2020. The interim final rule revises the definition of eligible retained income to make any automatic limitations on capital distributions that could apply under the agencies' capital rules more gradual. Beginning with the March 31, 2020, report date, institutions that are required to report amounts in item 51 should use the following instructions. On October 8, 2020, the banking agencies published a [final rule](#) confirming the revisions made in the interim final rule without any changes.

Item No. **Caption and Instructions**

- 51** **Eligible retained income.** Report the amount of eligible retained income as the greater of (1) the reporting institution's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of the reporting institution's net income over the four preceding calendar quarters. (See the instructions for Schedule HC-R, Part I, item 52, for the definition of "distributions" from section 2 of the regulatory capital rules.)

For purposes of this item 51, the four preceding calendar quarters refers to the calendar quarter ending on the last day of the current reporting period and the three preceding calendar quarters as illustrated in the example below. The average of an institution's net income over the four preceding calendar quarters refers to the average of three-month net income for the calendar quarter ending on the last day of the current reporting period and the three-month net income for the three preceding calendar quarters as illustrated in the example below.

Example and a worksheet calculation:

Assumptions:

- Eligible retained income is calculated for the FR Y-9C report date of March 31, 2020.
- The institution reported the following on its FR Y-9C reports in Schedule HI, Income Statement, item 14, "Net income (loss) attributable to bank (item 12 minus item 13)":

FR Y-9C report Date	Amount Reported in Item 14	Three-Month Net Income
March 31, 2019	\$400 (A)	\$400
June 30, 2019	\$900 (B)	\$500 (B-A)
September 30, 2019	\$1,500 (C)	\$600 (C-B)
December 31, 2019	\$1,900 (D)	\$400 (D-C)
March 31, 2020	\$200 (E)	\$200 (E)

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

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

(1)	Calculate an institution's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income.	$\$100 + \$200 + \$0 + (\$200) = \$100$
(2)	Calculate the average of an institution's three-month net income over the four preceding calendar quarters.	$(\$500 + \$600 + \$400 + \$200) / 4 = \$425^*$
(3)	Take the greater of step (1) and step (2) and report the amount in Schedule HC-R, Part I, item 51.	\$425

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

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

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

The interim final rule modifies the agencies' capital rule to allow holding companies 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 holding company may exclude from its total leverage exposure, average total consolidated assets, standardized total risk-weighted assets, and advanced approaches total risk-weighted assets, as applicable, any exposure acquired pursuant to a non-recourse loan from the MMLF. The interim final rule only applies to activities with the MMLF. The facility is currently scheduled to terminate on December 31, 2020, unless the facility is extended by the Federal Reserve Board.

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

Starting with the March 31, 2020, report date, holding companies would include their holdings of assets purchased from money market mutual funds under the MMLF in the appropriate asset category on Schedule HC, Balance Sheet, and Schedule HC-R, Regulatory Capital. On Schedule HC, holding companies would report negotiable certificates of deposit not held for trading in item 1.b, held-to-maturity securities in item 2.a, available-for-sale (AFS) securities in item 2.b, and negotiable certificates of deposit and securities held for trading in item 5, as appropriate.² For regulatory capital reporting purposes, the balance sheet amounts of assets purchased through the MMLF would be reported in both Column A (Totals From Schedule HC) and Column C (0% risk-weight category) of the corresponding balance sheet asset categories of Schedule HC-R, Part II (i.e., in items 1, 2.a, 2.b, and 7, respectively).³

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

The quarterly average of an holding company’s holdings of assets purchased under the MMLF, including those purchased by a consolidated broker-dealer subsidiary of the holding company, would be included as a deduction in Schedule HC-R, Part I, item 29, “LESS: Other deductions from (additions to) assets for leverage ratio purposes,” and thus excluded from Schedule HC-R, Part I, item 30, “Total assets for the leverage ratio.”

Advanced approaches holding companies should not include assets purchased under the MMLF in “Total risk-weighted assets (RWAs)” reported in Schedule, HC-R, Part I, item 46.b. Holding companies subject to the supplementary leverage ratio requirement would report their adjusted “Supplementary leverage ratio” in Schedule HC-R, Part I, items 53.

Borrowings from the FRBB would be included in Schedule HC, item 16, “Other borrowed money,” and included in Schedule HC-M, items 14.b, “Other borrowed money with a remaining maturity of one year or less.”

3. 5-Year 2020 CECL Transition Provision

These instructions are based on the CECL [interim final rule](#) issued by the banking agencies on March 27, 2020, the [correcting amendment](#) issued on May 19, 2020, and the [final rule](#) issued on September 30, 2020, that finalized the interim final rule and implemented limited revisions to the original eligibility and calculation methodology. These instructions are intended to address application of the regulatory transition in the final rule for eligible institutions.

Eligibility

A holding company 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 In addition, held-to-maturity and available-for-sale securities would be reported by securities category in Schedule HC-B, Securities, and as pledged securities in Memorandum item 1 of this schedule. Negotiable certificates of deposit and securities held for trading would be reported by asset category in Schedule HC-D, Trading Assets and Liabilities, by holding companies required to complete this schedule on the FR Y-9C. Securities held for trading also would be reported as pledged securities in Schedule HC-D, Memorandum item 4.a. Reporting in Schedule HC-R, Part II, applies only to holding companies that do not have a community bank leverage ratio framework election in effect as of the quarter-end report date, as reported in Schedule HC-R, Part I, item 31.a.

³ Reporting in Schedule HC-R, Part II, applies only to holding companies that do not have a community bank leverage ratio framework election in effect as of the quarter-end report date, as reported in Schedule HC-R, Part I, item 31.a.

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

A holding company must make its election in calendar year 2020 on the first FR Y-9C report filed after the institution adopts CECL or the same FR Y-9C report in which a holding company first reports a positive Modified CECL Transitional Amount for any calendar quarter ending in 2020.

Even if a holding company makes an election to use the 5-year 2020 CECL Transition Provision, the holding company may only reflect the regulatory capital adjustments in the quarter or quarters in which the holding company implements CECL for regulatory reporting purposes. A holding company 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 on its Call Report 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 that a holding company 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 holding company files regulatory reports reflecting CECL, and for the subsequent 19 quarters (for a total of 20 quarters or the five year transition period), a holding company is permitted to make the adjustments described below to amounts used in calculating regulatory capital. If a holding company temporarily ceases using CECL during this period (i.e., due to election of Section 4014 of the CARES Act)⁴, the holding company 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 holding company uses CECL. However, a holding company that has elected the transition, but does not apply it in any quarter, does not receive any extension of the transition period.

Example 1: A holding company was required to adopt the provisions of ASU 2016-13 on January 1, 2020. This holding company, 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 holding company's transition period begins on January 1, 2020, despite not adopting CECL until July 1, 2020. As such, on July 1, 2020, this holding company would have 18 quarters,⁵ including the quarter of adoption, remaining in its transition period.

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

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

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

⁴ Section 4014 allows an institution to delay the adoption of Accounting Standards Update No. 2016-13, "Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), until the earlier of (1) December 31, 2020, or (2) the termination of the national emergency concerning the coronavirus disease declared by the President on March 13, 2020, under the National Emergencies Act (National Emergency).

⁵ Six quarters of the initial transition followed by 12 quarters of the phase-out of the transition.

(FDIC)

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

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

AACL Transitional Amount means the difference in the amount of a holding company's AACL as of the beginning of the fiscal year in which the holding company adopts CECL and the amount of the holding company's as of the closing of the fiscal year-end immediately prior to the holding company's adoption of CECL.

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

Modified CECL Transitional Amount means:

- During the first two years of the transition period, the difference between the AACL as reported in the most recent FR Y-9C report, and the AACL as of the beginning of the fiscal year in which the holding company 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 FR Y-9C 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 holding company 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 FR Y-9C report, and the AACL as of the beginning of the fiscal year in which the holding company 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 FR Y-9C 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 holding company adopts CECL, multiplied by 0.25, plus the *AACL transitional amount*.

Adjustments to Instructions for FR Y-9C report Data Items in Schedule HC-R. Regulatory Capital

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

Schedule HC-R, Part I, Item 2.a (CECL Transition) – A holding company that has adopted CECL would report whether it is using a CECL transition election, as defined in Section 301 of the agencies' regulatory capital rules, in the FR Y-9C report for the current quarter. The holding company can choose from the following entries: 0 = No; 1 = Yes with a 3-year CECL transition election; and 2 = Yes with a 5-year 2020 CECL transition election. A holding company that has not adopted CECL must leave item 2.a blank. An institution that has elected the 5-year 2020 CECL transition, but is not reporting any adjustments for the current quarter because it does not have a positive Modified CECL Transitional Amount in the current quarter, should still report "2" for this item.

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

period; 75 percent in Year 3 of the transition period; 50 percent in Year 4 of the transition period; and 25 percent in Year 5 of the transition period.

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

Schedule HC-R, Part I, Item 40.a (Adjusted Allowances for Credit Losses/ALLL in Tier 2 Capital) – A holding company electing the 5-year 2020 CECL transition would subtract the *Modified AACL Transitional Amount*, as defined in Section 301 of the agencies' regulatory capital rules, when calculating this item, adjusted as follows: 100 percent in Years 1 and 2 of the transition period; 75 percent in Year 3 of the transition period; 50 percent in Year 4 of the transition period; and 25 percent in Year 5 of the transition period.

Schedule HC-R, Part I, Item 40.b as applicable (Eligible Credit Reserves in Tier 2 Capital) – A holding company subject to the advanced approaches capital rule that elects the 5-year 2020 CECL transition would deduct the *Eligible Credit Reserves Transitional Amount*, as defined in Section 301 of the agencies' regulatory capital rules, when calculating this item, adjusted as follows: 100 percent in Years 1 and 2 of the transition period; 75 percent in Year 3 of the transition period; 50 percent in Year 4 of the transition period; and 25 percent in Year 5 of the transition period.

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

Example of Application for Third Quarter 2020:

As an example, assume a holding company is required under U.S. GAAP to adopt the provisions of ASU 2016-13 on January 1, 2020. This holding company chose not to delay adoption of CECL for FR Y-9C report purposes under the provisions of the CARES Act, and elected to use the 5-year 2020 CECL Transition Provision in the March 31, 2020, FR Y-9C report. This institution's 5-year 2020 CECL transition period begins on January 1, 2020.

The holding company's December 31, 2019, FR Y-9C report reflected the following amounts: ALLL: \$120
Temporary Difference DTAs: \$20 Retained earnings: \$200
Eligible credit reserves (advanced approaches HCs only): \$110

On January 1, 2020, the holding company adopted CECL and reflected the following amounts: AACL: \$150
AACL Transitional Amount = \$150 - \$120 = \$30 (AACL on 1/1/20 – ALLL on 12/31/19)

Temporary Difference DTAs: \$30

DTA Transitional Amount = \$30 - \$20 = \$10 (DTAs on 1/1/20 – DTAs on 12/31/19) Retained earnings: \$180

CECL Transitional Amount = \$200 - \$180 = \$20

(Retained earnings on 12/31/19 – retained earnings on 1/1/20)

Eligible credit reserves (advanced approaches HCs only): \$140

Eligible Credit Reserves Transitional Amount = \$140 - \$110 = \$30

(Eligible credit reserves on 1/1/20 – eligible credit reserves on 12/31/19)

On September 30, 2020, the holding company reflected the following amounts: AACL: \$170

Modified AACL Transitional Amount = (\$170-\$150)*0.25 + \$30 = \$35

(AACL on 9/30/20 – AACL on 1/1/20)*0.25 + AACL Transitional Amount)

Modified CECL Transitional Amount = (\$170-\$150)*0.25 + \$20 = \$25

(AACL on 9/30/20 – AACL on 1/1/20)*0.25 + CECL Transitional Amount)

The holding company would adjust the following items in its September 30, 2020, FR Y-9C report, Schedule HC-R:

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

A holding company that is not electing the CBLR framework in its September 30, 2020, FR Y-9C report, would make these additional adjustments:

- Part I, Item 40.a (Allowances in Tier 2 Capital): Subtract \$35 (Modified AACL Transitional Amount)
- Part II, Item 8 (All other assets): Column B: Report \$10 as a positive amount (DTA Transitional Amount). This will have the effect of subtracting the \$10 DTA Transitional Amount from the DTAs reported in Part II, Item 8, Column A.

A holding company subject to the advanced approaches capital rule would make this additional adjustment in its September 30, 2020, FR Y-9C report:

- Part I, Item 40.b (Eligible credit reserves): Deduct \$30 (Eligible Credit Reserves Transitional Amount)

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

Background:

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

On April 23, 2020, the agencies published two interim final rules to provide temporary relief to community banking organizations with respect to the CBLR framework. The [statutory interim final rule](#) implements Section 4012 of the CARES Act, which requires the agencies to temporarily lower the community bank leverage ratio qualifying criterion to 8 percent. The temporary changes to the CBLR framework implemented by the statutory interim final rule will cease to be effective as of the earlier of the termination date of the national emergency concerning the coronavirus disease declared by the President on March 13, 2020, under the National Emergencies Act (National Emergency), or December 31, 2020. After this date, the [transition interim final rule](#) becomes effective and provides community banking organizations with a clear and gradual transition, by January 1, 2022, back to the greater than 9 percent leverage ratio qualifying criterion previously established by the agencies. The other qualifying criteria in the CBLR framework have not been modified by the interim final rules. The agencies adopted a [final rule](#) confirming the revisions made in the interim final rules without any changes in September 2020.

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

General Instructions:

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

Effective the second quarter of 2020, a holding company's may qualify for the CBLR framework if its leverage ratio is equal to or greater than 8 percent (as reported in Schedule HC-R, Part I, item 31) and it meets the following qualifying criteria: it has less than \$10 billion in total consolidated assets (Schedule HC-R,

Part I, item 32); is not part of an advanced approaches holding company; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule HC-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 HC-R, Part I, item 34).

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

Transition Provisions (transition interim final rule):

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

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

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

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

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

A qualifying holding company that temporarily fails to meet any of the qualifying criteria, including the leverage ratio requirement, generally would still be deemed well-capitalized so long as the holding company 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 holding company must meet all of the qualifying criteria to remain in the CBLR framework or otherwise must apply, and report under, the generally applicable capital rule. Similarly, a holding company 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 HC-R, Parts I and II, as applicable, excluding Schedule HC-R, Part I, items 32 through 36.

Under the CBLR framework, the grace period will begin as of the end of the calendar quarter in which the CBLR electing holding company ceases to satisfy any of the qualifying criteria and has a maximum period of two consecutive calendar quarters. For example, if the CBLR electing holding company had met all of

the qualifying criteria as of March 31, 2020, but no longer meets one of the qualifying criteria as of May 15, 2020, and still does not meet all of the criteria as of the end of that quarter, the grace period for such a holding company will begin as of the end of the quarter ending June 30, 2020. The holding company may continue to use the CBLR framework as of September 30, 2020, but will need to comply fully with the generally applicable capital rule (including the associated reporting requirements) as of December 31, 2020, unless the holding company once again meets all of the qualifying criteria of the CBLR framework, including the leverage ratio requirement qualifying criterion, before that time.

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

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

To enhance the liquidity of small business lenders and improve the functioning of the broader credit markets, the Federal Reserve Board authorized each of the Federal Reserve Banks to participate in the Paycheck Protection Program Liquidity Facility (PPPLF). On April 13, 2020, the agencies published an [interim final rule](#), which permits banking organizations to exclude from regulatory capital requirements Paycheck Protection Program (PPP)⁶ covered loans pledged to the PPPLF. The interim final rule also clarifies that PPP covered loans as defined in section 7(a)(36) of the Small Business Act (15 U.S.C. 636(a)(36)) receive a zero percent risk weight. The agencies adopted a [final rule](#) confirming the revisions made in the interim final rule without any changes in September 2020.

The interim final rule modifies the agencies' capital rule and allows PPPLF-eligible holding companies to neutralize the regulatory effects of PPP covered loans on their risk-based capital ratios, as well as PPP covered loans pledged to the PPPLF on their leverage capital ratios. When calculating leverage capital ratios, a holding company may exclude from average total consolidated assets and, as applicable, total leverage exposure a PPP covered loan as of the date that it has been pledged to the PPPLF. Accordingly, a PPP covered loan that has not been pledged as collateral in connection with an extension of credit under the PPPLF would be included in the calculation of the holding company'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 December 31, 2020, unless the Federal Reserve Board and U.S. Department of Treasury jointly determine to extend the facility.

Consistent with U.S. GAAP, the Board would expect holding companies to report PPP covered loans on their balance sheets. Starting with the June 30, 2020, report date, holding companies would include the outstanding balances of their PPP covered loans held for investment or held for sale in the appropriate loan category in Schedule HC-C, Part I, and, as applicable, in other FR Y-9C report schedules in which loan data are reported. PPP covered loans not held for trading that are pledged to the PPPLF would be reported in Schedule HC-C, Part I, Memorandum item 14, "Pledged loans and leases." Any PPP covered loans held for trading would be reported by all holding companies on the FR Y-9C report balance sheet in Schedule HC, item 5, with the fair value and amortized cost of such loans reported by loan category in Schedule HC-D, Trading Assets and Liabilities, by institutions required to complete this schedule. The outstanding balance of PPP covered loans held for trading

⁶ The Paycheck Protection Program was established by Section 1102 of the 2020 CARES Act.

that are pledged to the PPPLF would be included in Schedule HC-D, Memorandum item 4.b, “Pledged loans,” on the FR Y-9C by holding companies required to complete this schedule.

Borrowings from the Federal Reserve Banks would be included in Schedule HC, item 16, “Other borrowed money”; the relevant subitem(s) under Schedule HC-M, item 14.b and 14.c, “Other borrowed money; and Schedule HC-M, item 23.b, “Amount of ‘Other borrowings’ that are secured.”

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

Advanced approaches holding companies would not include PPP covered loans in “Total risk-weighted assets” reported in Schedule HC-R, Part I, item 46.b. Holding companies subject to the supplementary leverage ratio requirement would report their adjusted “Supplementary leverage ratio” in Schedule HC-R, Part I, item 53.

Beginning as of the June 30, 2020, report date, holding companies would separately report in Schedule HC-M, items 25.a, 25.b, 25.c, and 25.d, the number of PPP covered loans outstanding, the quarter-end outstanding balance of PPP covered loans, the quarter-end outstanding balance of PPP covered loans that are pledged to the PPPLF, and the quarterly average amount of PPP covered loans pledged to the PPPLF that were excluded from total assets for the leverage ratio reported in Schedule HC-R, Part I, item 30, respectively. See Appendix B for detailed line item instructions for these Schedule HC-M items.

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

As provided for under the CARES Act, a holding company may account for an eligible loan modification either under Section 4013 or in accordance with Accounting Standards Codification (ASC) Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. If a loan modification is not eligible under Section 4013, or if the holding company elects not to account for the loan modification under Section 4013, the holding company should evaluate whether the modified loan is a TDR.⁸

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

Holding companies accounting for eligible loans under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification and do not have to report Section 4013 loans as TDRs in regulatory reports, subject to the following considerations for additional modifications. If an

⁷ Reporting in Schedule HC-R, Part II, applies only to holding companies that do not have a CBLR framework election in effect as of the quarter-end report date, as reported in Schedule HC-R, Part I, item 31.a.

⁸ The agencies issued an [interagency statement](#) on April 7, 2020, to provide information to financial institutions that are working with borrowers affected by the coronavirus. On August 3, 2020, the FFIEC, on behalf of its members, issued a [joint statement](#) to provide prudent risk management and consumer protection principles for financial institutions to consider while working with borrowers as loans near the end of initial loan accommodation periods applicable during the COVID-19 event.

institution elects to account for a loan modification under Section 4013, an additional loan modification could also be eligible under Section 4013 provided it is executed during the applicable period and meets the other statutory criteria referenced above. If an institution does not elect to account for a loan modification under Section 4013 or a loan modification is not eligible under Section 4013 (e.g., because it is executed after the applicable period), additional modifications should be viewed cumulatively in determining whether the additional modification is accounted for as a TDR under ASC Subtopic 310-40.⁹

Consistent with the CARES Act, the Board is collecting information about the volume of loans modified under Section 4013. Beginning with the June 30, 2020, report date, holding companies should report the total number of loans outstanding that have been modified under Section 4013 and the outstanding balance of these loans in FR Y-9C Schedule HC-C, Part I, Loans and Leases, Memorandum items 16.a and 16.b, respectively. These two items are being collected on a confidential basis at the institution level. Once the term of an eligible Section 4013 loan modification ends, an institution should no longer include the loan in these Schedule HC-C, Part I, Memorandum items. See Appendix A for detailed line item instructions for these Schedule HC-C, Part I, Memorandum items.

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

- Appropriately reporting past due and nonaccrual status; and
- Maintaining an appropriate allowance for loan and lease losses in accordance with ASC Subtopic 450-20¹⁰ or ASC Subtopic 310-10,¹¹ or an appropriate allowance for credit losses in accordance with ASC Subtopic 326-20,¹² as applicable.

Holding companies are not required to report Section 4013 loans in the following FR Y-9C report items:

- Schedule HC-C, Part I, Memorandum item 1, “Loans restructured in troubled debt restructurings that are in compliance with their modified terms.”
- Schedule HC-N, Memorandum item 1, “Loans restructured in troubled debt restructurings included in items 1 through 7, above.”

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

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

On April 28, 2020, the Board published an [interim final rule](#) amending its Regulation D (12 CFR 204) to delete the numeric limits on certain kinds of transfers and withdrawals that may be made each month from “savings deposits.” In response to the changes to Regulation D, the definitions of certain deposits reported on FR Y-9C report Schedule HC-E, Deposit Liabilities, have been revised. See Appendix C for the redlined revisions to these deposit definitions in the instructions for Schedule HC-E, Deposit Liabilities, and the Glossary entry for “Deposits.”

⁹ Holding companies can refer to the aforementioned interagency statement and joint statement for additional information when making these determinations. On August 4, 2020, the FFIEC, on behalf of its members, issued a [joint statement](#) to provide prudent risk management and consumer protection principles for financial institutions to consider while working with borrowers as loans near the end of initial loan accommodation periods applicable during the COVID-19 event

¹⁰ ASC Subtopic 450-20, Contingencies—Loss Contingencies.

¹¹ ASC Subtopic 310-10, Receivables—Overall.

¹² ASC Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.

Appendix A - Line Item Instructions for New Items Added to the FR Y-9C Forms Effective as of the June 30, 2020. Report Date: Schedule HC-C, Part I. Loans and Leases. Memoranda

Item No. **Caption and Instructions**

16 **Eligible loan modifications under Section 4013. Temporary Relief from Troubled Debt Restructurings of the 2020 Coronavirus Aid, Relief, and Economic Security Act.** As provided for under the 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a financial institution may elect to account for an eligible loan modification under Section 4013 of that Act (Section 4013 loan). If a loan modification is not eligible under Section 4013, or if the institution elects not to account for an eligible loan modification under Section 4013, the institution should not report the loan in memorandum items 16.a and 16.b and should instead evaluate whether the modified loan is a troubled debt restructuring (TDR) under ASC Subtopic 310-40, Receivables–Troubled Debt Restructurings by Creditors.

To be an eligible loan modification under Section 4013, a loan modification must be (1) related to the Coronavirus Disease 2019 (COVID-19); (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the national emergency concerning the COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act or (B) December 31, 2020 (the applicable period).

Holding companies accounting for eligible loan modifications under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification and do not have to report Section 4013 loans as TDRs in regulatory reports, subject to the following considerations for additional modifications. If an institution elects to account for a loan modification under Section 4013, an additional loan modification could also be eligible under Section 4013 provided it is executed during the applicable period and meets the other statutory criteria referenced above. If an institution does not elect to account for a loan modification under Section 4013 or a loan modification is not eligible under Section 4013 (e.g., because it is executed after the applicable period), additional modifications should be viewed cumulatively in determining whether the additional modification is accounted for as a TDR under ASC Subtopic 310-40.

Consistent with the CARES Act, the Board is collecting information on a fully consolidated basis about the volume of Section 4013 loans, including the number of Section 4013 loans outstanding (Memorandum item 16.a) and the outstanding balance of Section 4013 loans (Memorandum item 16.b). These two items are collected on a confidential basis at the institution level. Once the term of an eligible Section 4013 loan modification ends, an institution should no longer include the loan in these Schedule RC-C, Part I, Memorandum items.

For further information on loan modifications, including those that may not be eligible under Section 4013 or for which an holding company elects not to apply Section 4013, holding companies may refer to the [Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus \(Revised\)](#), issued April 7, 2020, and the [Joint Statement on Additional Loan Accommodations Related to COVID-19](#) issued August 3, 2020.

16.a **Number of Section 4013 loans outstanding.** Report the number of Section 4013 loans outstanding held by the reporting holding company as of the report date whose outstanding balances are included in the amount reported in Schedule HC-C, Part I, Memorandum item 16.b, below.

16.b **Outstanding balance of Section 4013 loans.** Report the aggregate amount at which Section 4013 loans held for investment and held for sale are included in Schedule HC-C, Part I, and Section 4013 loans held for trading are included in Schedule HC, item 5, as of the report date.

Appendix B - Line Item Instructions for New Items Added to the FR Y-9C report Forms Effective as of the June 30, 2020. Report Date: Schedule HC-M. Memoranda

<u>Item No.</u>	<u>Caption and Instructions</u>
25	<p><u>U.S. Small Business Administration Paycheck Protection Program (PPP) loans and the Federal Reserve PPP Liquidity Facility (PPPLF).</u> 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).</p> <p>The PPPLF was authorized by the Board of Governors of the Federal Reserve System on April 8, 2020, under Section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)). Under the PPPLF, the Federal Reserve Banks will extend non-recourse loans to eligible lenders, with the extensions of credit secured by SBA-guaranteed PPP loans that the lenders have originated or purchased.</p> <p>Items 25.a through 25.d should be completed on a fully consolidated basis.</p>
25.a	<p><u>Number of PPP loans outstanding.</u> Report the number of PPP loans outstanding held by the reporting institution as of the reportdate whose outstanding balances are included in the amount reported in Schedule HC-M, item 25.b, below.</p>
25.b	<p><u>Outstanding balance of PPP loans.</u> Report the aggregate amount at which PPP loans held for investment and held for sale are included in Schedule HC-C, Part I, and PPP loans held for trading are included in Schedule HC, item 5, as of the report date.</p>
25.c	<p><u>Outstanding balance of PPP loans pledged to the PPPLF.</u> 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 HC-C, Part I, and such PPP loans held for trading are included in Schedule HC, item 5, as of the report date.</p> <p>Pledged PPP loans held for investment or held for sale that should be included in this item will also have been included in Schedule HC-C, Part I, Memorandum item 14, "Pledged loans and leases." Pledged PPP loans held for trading that should be included in this item will also have been included in Schedule HC-D, Memorandum item 4.b, "Pledged loans."</p>
25.d	<p><u>Quarterly average amount of PPP loans pledged to the PPPLF and excluded from "Total assets for the leverage ratio" reported in Schedule HC-R, Part I, item 30.</u> Report the quarterly average amount of PPP loans pledged to the PPPLF that are included as a deduction in Schedule HC-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 HC-R, Part I, item 30.</p> <p>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 HC-K, item 9.</p>

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

The following pages (pages 18 to 34) contain the redlined instructions for these revisions.

LINE ITEM INSTRUCTIONS FOR

Deposit Liabilities

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General Instructions

A complete discussion of deposits is included in the Glossary entry entitled “deposits.” That discussion addresses the following topics and types of deposits in detail:

- (1) FDI Act definition of deposits;
- (2) demand deposits;
- (3) savings deposits;
- (4) time deposits;
- (5) time certificates of deposit;
- (6) time deposits, open account;
- (7) transaction accounts;
- (8) nontransaction accounts;
- (9) NOW accounts;
- (10) ATS accounts;
- (11) telephone or preauthorized transfer accounts;
- (12) money market deposit accounts (MMDAs);
- (13) interest-bearing accounts; and
- (14) noninterest-bearing accounts.

Additional discussions pertaining to deposits are also found under separate Glossary entries for the following:

- (1) borrowings and deposits in foreign offices;
- (2) brokered deposits;
- (3) dealer reserve accounts;
- (4) hypothecated deposits;
- (5) letters of credit (for letters of credit sold for cash and travelers’ letters of credit);
- (6) overdrafts;

- (7) pass-through reserve balances;
- (8) placements and takings; and
- (9) reciprocal balances.

NOTE: For purposes of this report, IBFs of subsidiary depository institutions of the reporting holding company are to be treated as foreign offices and their deposit liabilities should be excluded from this schedule.

Definitions

The term “deposits” is defined in the Glossary and follows the definition of deposits used in the Federal Deposit Insurance Act. Reciprocal demand deposits between the domestic offices of the reporting holding company and the domestic offices of other depository institutions that are not consolidated on this report may be reported net when permitted by generally accepted accounting principles (GAAP). (See the Glossary entry for “reciprocal balances.”)

The following are *not* reported as deposits:

- (1) Deposits received in one office of a depository institution for deposit in another office of the same depository institution.
- (2) Outstanding drafts (including advices or authorizations to charge the depository institution’s balance in another depository institution) drawn in the regular course of business by the reporting depository institution on other depository institutions, including so-called “suspense depository accounts” (report as a deduction from the related “due from” account).
- (3) Trust funds held in the bank’s own trust department that the bank keeps segregated and apart from its general assets and does not use in the conduct of its business.

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- (4) Deposits accumulated for the payment of personal loans (i.e., hypothecated deposits), which should be netted against loans in Schedule HC-C, Loans and Lease Financing Receivables.
 - (5) All obligations arising from assets sold under agreements to repurchase.
 - (6) Overdrafts in deposit accounts. Overdrafts are to be reported as loans in Schedule HC-C, and not as negative deposits. Overdrafts in a single type of related transaction accounts (e.g., related demand deposits or related NOW accounts, but not a combination of demand deposit accounts and NOW accounts) of a single legal entity that are established under a bona fide cash management arrangement by this legal entity are not to be classified as loans unless there is a net overdraft position in the accounts taken as a whole. Such accounts are regarded as, and function as, one account rather than as multiple separate accounts.
 - (7) Time deposits sold (issued) by a subsidiary bank of the consolidated holding company that have been purchased subsequently by a holding company subsidiary in the secondary market (typically as a result of the holding company's trading activities) and have not resold as of the report date. For purposes of these reports, a holding company (or its subsidiaries) that purchases a time deposit a subsidiary has issued is regarded as having paid the time deposit prior to maturity. The effect of the transaction is that the consolidated holding company has cancelled a liability as opposed to having acquired an asset for its portfolio.
 - (8) Cash payments received in connection with transfers of the holding company's other real estate owned that have been financed by the holding company and do not qualify for sale accounting, which applicable accounting standards describe as a "liability," a "deposit," or a "deposit liability." Until a transfer qualifies for sale accounting, these cash payments shall be reported in Schedule HC-G, item 4, "All other liabilities." See the Glossary entry for "foreclosed assets" for further information.
- The following are reported as deposits:
- (1) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department of a subsidiary depository institution of the reporting holding company other than the trust department.
 - (2) Escrow funds.
 - (3) Payments collected by a depository institution subsidiary on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.
 - (4) Credit balances resulting from customers' overpayments of account balances on credit cards and related plans.
 - (5) Funds received or held in connection with checks or drafts drawn by a subsidiary depository institution of the reporting holding company and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by a subsidiary depository institution of the reporting holding company only when it has been advised that the checks or drafts have been presented).
 - (6) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by a subsidiary depository institution of the reporting holding company, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by a subsidiary depository institution of the reporting holding company, until the amount of the checks is remitted to another party.
 - (7) Checks drawn by a subsidiary depository institution of the reporting holding company on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank.
 - (8) Refundable loan commitment fees received or held by a subsidiary depository institution of the reporting holding company prior to loan closing.
 - (9) Refundable stock subscription payments received or held by the reporting holding company prior to the issuance of the stock. (Report nonrefundable stock subscription payments in Schedule HC-G, item 4, "Other" liabilities.)
 - (10) Improperly executed repurchase agreement sweep accounts (repo sweeps). According to Section 360.8

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of the FDIC's regulations, an "internal sweep account" is "an account held pursuant to a contract between an insured depository institution and its customer involving the pre-arranged, automated transfer of funds from a deposit account to . . . another account or investment vehicle located within the depository institution." When a repo sweep from a deposit account is improperly executed by an institution, the customer obtains neither an ownership interest in identified assets subject to a repurchase agreement nor a perfected security interest in the applicable assets. In this situation, the institution should report the swept funds as deposit liabilities, not as repurchase agreements, beginning July 1, 2009.

- (11) The unpaid balance of money received or held by the reporting institution that the reporting institution promises to pay pursuant to an instruction received through the use of a card, or other payment code or access device, issued on a prepaid or prefunded basis.

In addition, the gross amount of debit items ("throw-outs," "bookkeepers' cutbacks," or "rejects") that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason, but which have been charged to the control accounts of the various deposit categories on the general ledger, should be credited to (added back to) the appropriate deposit control totals and reported in Schedule HC, item 11, "Other assets."

Line Item 1 Deposits held in domestic offices of commercial bank subsidiaries of the reporting holding company.

Report in items 1(a) through 1(e) below deposits held in domestic offices of the commercial bank subsidiaries of the reporting holding company that are consolidated by the holding company on this report.

For purposes of this item, commercial bank subsidiaries cover all banks that file the commercial bank Consolidated Reports of Condition and Income (FFIEC 031, 041). See the Glossary entry for "Domestic Office" for the definition of this term.

If the reporting holding company consolidates a subsidiary foreign bank on this report, items 1(a) through 1(e) must also include deposits held in the U.S. offices of such foreign bank subsidiaries.

Line Item 1(a) Noninterest-bearing balances.

Report all noninterest-bearing deposits, including any matured time or savings deposits that have not automatically been renewed, as defined in the Glossary entry for "deposits."

Include the following:

- (1) Noninterest-bearing deposits that are payable immediately on demand or issued with an original maturity of less than seven days, or that are payable with less than seven days notice, or for which the bank subsidiary does not reserve the right to require at least seven days written notice of an intended withdrawal.
- (2) Unpaid depositors' checks that have been certified.
- (3) Cashiers' checks, money orders, or other officers' checks issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on a consolidated bank subsidiary of the reporting holding company by any of its duly authorized officers and that are outstanding on the report date.
- (4) Outstanding travelers' checks, travelers' letters of credit, or other letters of credit (less any outstanding drafts accepted thereunder) sold for cash or its equivalent by the consolidated holding company organization or its agents.
- (5) Outstanding drafts and bills of exchange accepted by the consolidated holding company organization or its agents for money or its equivalent, including drafts accepted against a letter of credit issued for money or its equivalent.
- (6) Checks or drafts drawn by, or on behalf of, a non-U.S. office of a subsidiary bank of the reporting holding company on an account maintained at a U.S. office of the bank subsidiary. Such drafts are, for the *Consolidated Financial Statements for Holding Companies*, the same as officers' checks. This would include "London checks," "Eurodollar bills payable checks," and any other credit items that the domestic bank issues in connection with such transactions.

Line Item 1(b) Interest-bearing demand deposits NOW, ATS, and other transaction accounts.

Report in this item all interest-bearing demand deposits, all accounts subject to negotiable orders of withdrawal (i.e., NOW accounts), all ATS accounts (that is, accounts

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subject to automatic transfer from savings accounts), and all other transaction accounts, *excluding* noninterest-bearing demand deposits.

Other transaction accounts include the following:

- (1) Accounts (other than MMDAs) that permit third party payments through automated teller machines (ATMs) or remote service units (RSUs).
- (2) Accounts (other than MMDAs) that permit third party payments through the use of checks, drafts, negotiable instruments, debit cards, or other similar items.
- (3) ~~Accounts (other than MMDAs) if more than six of the following transactions per calendar month are permitted to be made by telephone or preauthorized order or instruction:~~
 - ~~(a) payments or transfers to third parties;~~
 - ~~(b) transfers to another account of the depositor at the same institution; and~~
 - ~~(c) transfers to an account at another depository institution.~~

Line Item 1(c) Money market deposit accounts and other savings accounts.

Report in this item all savings deposits held in the subsidiary commercial banks consolidated in this report by the reporting holding company, other than NOW accounts, ATS accounts, or other transaction accounts that are in the form of savings deposits.

Include the following in this item:

- (1) Money market deposit accounts (MMDAs).
- (2) ~~Savings deposits subject to telephone and preauthorized transfers where the depositor is not permitted or authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.~~
- (3) ~~Savings deposits subject to no more than six transfers per month for purposes of covering overdrafts (i.e., overdraft protection plan accounts).~~
- (4) All other savings deposits that are not classified as transaction accounts (e.g., regular savings and passbook savings accounts).

- (5) Interest paid by crediting the savings deposit accounts defined by paragraphs (1) through (4) in this item.

Exclude the following from this item:

- (1) NOW accounts (including “Super NOWs”) and ATS accounts (report in item 1(b) above).
- (2) ~~Overdraft protection plan accounts that permit more than six transfers per month (report in item 1(a) as a demand deposit).~~
- (3) ~~Savings deposits subject to telephone or preauthorized transfer (report in item 1(b) above), unless the depositor is not permitted or not authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.~~
- (4) Special passbook or statement accounts, such as “90-day notice accounts,” “golden passbook accounts,” or deposits labeled as “savings certificates,” that have a specified original maturity of seven days or more (report as time deposits in item 1(d) or 1(e) below).
- (5) Interest accrued on savings deposits but not yet paid or credited to a deposit account (exclude from this schedule and report in Schedule HC, item 20, “Other liabilities”).

Line Item 1(d) Time deposits of \$250,000 or less

Report in this item all time deposits with balances of \$250,000 or less that are held in domestic offices of the commercial bank subsidiaries of the reporting holding company. This item includes both time certificates of deposit and open-account time deposits with balances of \$250,000 or less, regardless of negotiability or transferability.

Include the following:

- (1) Time deposits (as defined in the Glossary entry for “deposits”), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of \$250,000 or less.
- (2) Interest paid by crediting nontransaction time deposit accounts with balances of \$250,000 or less.
- (3) Time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit

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that have been participated out by the broker in shares of \$250,000 or less. In addition, if the bank subsidiary has issued a master certificate of deposit to a deposit broker in an amount that exceeds \$250,000 and under which brokered certificates of deposit are issued in \$1,000 amounts (so-called “retail brokered deposits”), individual depositors who purchase multiple certificates issued by the bank subsidiary normally do not exceed the applicable deposit insurance limit (currently \$250,000). 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 subsidiary issuing the deposits. If this information is not readily available to the issuing bank subsidiary, these brokered certificates of deposit in \$1,000 amounts should be reported in this item as time deposits of \$250,000 or less.

Exclude from this item all time deposits with balances of more than \$250,000 (report in item 1(e) below).

Line Item 1(e) Time deposits of more than \$250,000.

Report in this item all time deposits, including time certificates of deposit and open-account time deposits with balances of more than \$250,000, regardless of negotiability or transferability that are held in the commercial bank subsidiaries of the reporting holding company.

Include the following:

- (1) Time deposits (as defined in the Glossary entry for “deposits”), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of more than \$250,000.
- (2) Interest paid by crediting nontransaction time deposit accounts with balances of more than \$250,000.

Exclude the following:

- (1) All time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less (report in item 1(d)).
- (2) All time deposits with balances of \$250,000 or less (report in item 1(d)),

NOTE: Holding companies should include as time deposits of their commercial bank subsidiaries of more than \$250,000 those time deposits originally issued in denominations of \$250,000 or less but that, because of interest paid or credited, or because of additional deposits, now have a balance of more than \$250,000.

Line Item 2 Deposits held in domestic offices of other depository institutions that are subsidiaries of the reporting holding company.

NOTE: Items 2(a) through 2(e) are to be completed only by holding companies that have depository institutions other than banks as subsidiaries.

Report in items 2(a) through 2(e) below deposits held in domestic offices of other depository institutions that are subsidiaries of the reporting holding company and that are consolidated by the holding company on this report.

For purposes of this item, other depository institutions cover depository institutions other than commercial banks (as defined in item 1 of this schedule) that are consolidated subsidiaries of the reporting holding company. Such depository institutions may include savings and loan or building and loan associations, depository trust companies, or other institutions that accept deposits that do not submit the commercial bank Reports of Condition and Income (FFIEC 031, 041).

Exclude Edge and Agreement Corporations from the coverage of “other depository institutions” for purposes of this item. Domestic offices are those offices located in the fifty states of the United States and the District of Columbia.

Line Item 2(a) Noninterest-bearing balances.

Report all noninterest-bearing deposits, including any matured time or savings deposits that have not automatically been renewed, as defined in the Glossary entry for “deposits,” that are held in domestic offices of “other depository institutions” that are subsidiaries consolidated on the reporting holding company’s financial statements. Include any deposit account on which the issuing depository institution pays no compensation.

Line Item 2(b) Interest-bearing demand deposits, NOW, ATS, and other transaction accounts.

Report in this item all interest-bearing demand deposits, all accounts subject to negotiable orders of withdrawal (i.e., NOW accounts), all ATS accounts (that is, accounts

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subject to automatic transfer from savings accounts), and all other transaction accounts that are held in domestic offices of the “other depository institution” subsidiaries of the reporting holding company.

Other transaction accounts include the following:

- (1) Accounts (other than MMDAs) that permit third party payments through automated teller machines (ATMs) or remote service units (RSUs).
- (2) Accounts (other than MMDAs) that permit third party payments through the use of checks, drafts, negotiable instruments, debit cards, or other similar items.
- (3) ~~Accounts (other than MMDAs) if more than six of the following transactions per calendar month are permitted to be made by telephone or preauthorized order or instruction:~~
 - ~~(a) payments or transfers to third parties;~~
 - ~~(b) transfers to another account of the depositor at the same institution; and~~
 - ~~(c) transfers to an account at another depository institution.~~

- 2** (3) All other savings deposits that are not classified as transaction accounts (e.g., regular savings and pass-book savings accounts).
- 3** (4) Interest paid by crediting the savings deposit accounts defined by paragraphs (1) through (4) in this item.

Line Item 2(c) Money market deposit accounts and other savings accounts.

Report in this item all savings deposits held in the subsidiary depository institutions (other than commercial banks) consolidated in this report by the reporting holding company, other than NOW accounts, ATMs, or other transaction accounts that are in the savings deposits.

**Money Market
Deposit Accounts
(MMDAs)**

Include in this item the following:

- (1) ~~Savings deposits subject to telephone and preauthorized transfers where the depositor is not permitted or authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.~~
- (2) ~~Savings deposits subject to no more than six transfers per month for purposes of covering overdrafts (i.e., overdraft protection plan accounts).~~

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Exclude from this item the following:

- (1) NOW accounts and ATS accounts (report in item 2(b) above).
- (2) ~~Overdraft protection plan accounts that permit more than six transfers per month (report in item 2(a) as noninterest-bearing balances).~~
- (3) Savings deposits subject to telephone or preauthorized transfer (report in item 2(b) above), ~~unless the depositor is not permitted or not authorized to make more than six withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction.~~
- (4) Interest accrued on savings deposits but not yet paid or credited to a deposit account (exclude from this schedule and report in Schedule HC, item 20, “Other liabilities”).

Line Item 2(d) Time deposits of \$250,000 or less.

Report in this item all time deposits with balances of \$250,000 or less that are held in domestic offices of “other depository institutions” (other than commercial banks), as defined in item 2 above that are subsidiaries of the reporting holding company. This item includes both time certificates of deposit and open-account time deposits with balances of \$250,000 or less, regardless of negotiability or transferability.

Include the following:

- (1) Time deposits (as defined in the Glossary entry for “deposits”), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of \$250,000 or less.
- (2) Interest paid by crediting nontransaction time deposit accounts with balances of \$250,000 or less.
- (3) Time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less. In addition, if the depository institution has issued a master certificate of deposit to a deposit broker in an amount that exceeds \$250,000 and under which brokered certificates of deposit are issued in \$1,000 amounts (so-called “retail brokered deposits”), individual depositors who purchase multiple certificates issued by the depository

institution normally do not exceed the applicable deposit insurance limit (currently \$250,000). 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 depository institution issuing the deposits. If this information is not readily available to the issuing depository institution, these brokered certificates of deposit in \$1,000 amounts should be reported in this item as time deposits \$250,000 or less.

Exclude from this item all time deposits with balances of more than \$250,000 (report in item 2(e) below).

Line Item 2(e) Time deposits of more than \$250,000.

Report in this item all time deposits, including time certificates of deposit and open-account time deposits with balances of more than \$250,000, regardless of negotiability or transferability that are held in depository institutions (other than commercial banks) that are subsidiaries of the reporting holding company.

Include the following:

- (1) Time deposits (as defined in the Glossary entry for “deposits”), which are deposits with original maturities of seven days or more, that are not classified as transaction accounts and that have balances of more than \$250,000.
- (2) Interest paid by crediting nontransaction time deposit accounts with balances of more than \$250,000.

Exclude the following:

- (1) All time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less (report in item 2(d)).
- (2) All time deposits with balances of \$250,000 or less (report in item 2(d)).

NOTE: Holding companies should include as time deposits held in their depository institution subsidiaries (other than commercial banks) with balances of more than \$250,000, those time deposits originally issued in denominations of \$250,000 or less, but that, because of interest paid or credited, or because of additional deposits, now have a balance of more than \$250,000.

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Memoranda

Line Item M1 Brokered deposits \$250,000 or less with a remaining maturity of one year or less.

Report in this item those brokered time deposits included in items 1 or 2 above with balances of \$250,000 or less with a remaining maturity of one year or less and are held in domestic offices of commercial banks or other depository institutions that are subsidiaries of the reporting holding company. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. Include in this item time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less. Also report in this item all brokered demand and savings deposits with balances of \$250,000 or less. See the Glossary entries for “Brokered deposits” and “Brokered retail deposits” for additional information.

Line Item M2 Brokered deposits \$250,000 or less with a remaining maturity of more than one year.

Report in this item those brokered time deposits included in items 1 or 2 above with balances of \$250,000 or less with a remaining maturity of more than one year and are held in domestic offices of commercial banks or other depository institutions that are subsidiaries of the reporting holding company. Remaining maturity is the amount of time remaining from the report date until the final

contractual maturity of a brokered deposit. Include in this item time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less. See the Glossary entries for “Brokered deposits” and “Brokered retail deposits” for additional information.

Line Item M3 Time deposits of more than \$250,000 with a remaining maturity of one year or less.

Report in this item time deposits included in items 1(e) and 2(e) above that are issued in denominations of more than \$250,000 with 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 time deposit. Exclude from this item time deposits issued to deposit brokers in the form of large (more than \$250,000) certificates of deposit that have been participated out by the broker in shares of \$250,000 or less.

Line Item M4 Foreign office time deposits with a remaining maturity of one year or less.

Report all time deposits in foreign offices with remaining maturities of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit. The time deposits included in this item will also have been included in Schedule HC, item 13(b).

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guidance on how to report adjustments to Tier 1 capital and risk-weighted and total assets to reverse the effects of applying ASC Subtopic 715-20 for regulatory capital purposes.

Demand Deposits: See “Deposits.”

Depository Institutions: Depository institutions consist of depository institutions in the U.S. and banks in foreign countries.

Depository institutions in the U.S. consist of:

- (1) U.S. branches and agencies of foreign banks;
- (2) U.S.-domiciled head offices and branches of U.S. banks, i.e.,
 - (a) national banks,
 - (b) state-chartered commercial banks,
 - (c) trust companies that perform a commercial banking business,
 - (d) industrial banks,
 - (e) private or unincorporated banks,
 - (f) Edge and Agreement corporations, and
 - (g) International Banking Facilities of U.S. depository institutions; and
- (3) U.S.-domiciled head offices and branches of other depository institutions in the U.S., i.e.,
 - (a) mutual or stock savings banks,
 - (b) savings or building and loan associations,
 - (c) cooperative banks,
 - (d) credit unions,
 - (e) homestead associations, and
 - (f) International Banking Facilities (IBFs) of other depository institutions in the U.S.; and
 - (g) other similar depository institutions in the U.S.

Banks in foreign countries consist of foreign branches of foreign banks and foreign offices of U.S. banks.

See the Glossary entry for “Banks, U.S. and foreign,” for a definition of foreign banks.

Deposits: The basic statutory and regulatory definitions of “deposits” are contained in Section 3(1) of the Federal Deposit Insurance Act and in the Federal Reserve Regu-

lation D. The definitions in these two legal sources differ in certain respects. Furthermore, for purposes of these reports, the reporting standards for deposits specified in these instructions do not strictly follow the precise legal definitions in these two sources. In addition, deposits for purposes of this report, include deposits of thrift institutions. The definitions of deposits to be reported in the deposit items of the *Consolidated Financial Statements of Holding Companies* are discussed below under the following headings:

- (I) FDI Act definition of deposits.
- (II) Transaction–nontransaction deposit distinction.
- (III) Interest noninterest-bearing deposit distinction.

(I) *FDI Act definition of deposits:*

- (1) the unpaid balance of money or its equivalent received or held by a bank in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank, or a letter of credit or a traveler’s check on which the bank is primarily liable: Provided that, without limiting the generality of the term “money or its equivalent,” any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank for collection.
- (2) trust funds as defined in this Act received or held by such bank, whether held in the trust department or held or deposited in any other department of such bank.
- (3) money received or held by a bank, or the credit given for money or its equivalent received or held by a bank, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including without being limited to, escrow funds, funds held as security for an

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obligation due to the bank or others (including funds held as dealers reserves) or for securities loaned by the bank, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes: Provided that there shall not be included funds which are received by the bank for immediate application to the reduction of an indebtedness to the receiving bank, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness.

- (4) outstanding draft (including advice or authorization to charge bank's balance in another bank), cashier's check, money order, or other officer's check issued in the usual course of business for any purpose, including without being limited to those issued in payment for services, dividends, or purchases, and
- (5) such other obligations of a bank as the Board of Directors of the Federal Deposit Insurance Corporation, after consultation with the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage.

(II) *Transaction–nontransaction deposit distinction:*

The Monetary Control Act of 1980 and the current Federal Reserve Regulation D, “Reserve Requirements of Depository institutions,” establish, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as “transaction accounts” All deposits that are not transaction accounts are “non-transaction accounts.”

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

Excluded from transaction accounts are savings deposits (including money market deposit accounts—MMDAs) as defined below in the nontransaction account category. ~~However, an account that otherwise meets the definition of savings deposits but that authorizes or permits the depositor to exceed the transfer limitations specified for those respective accounts shall be reported as a transaction account. (Please refer to the definitions of savings deposits for further detail.)~~

Transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts (including accounts previously designated as “Super NOWs”); (c) ATS accounts; and (d) telephone and preauthorized transfer accounts. Interest that is paid by the crediting of transaction accounts is also included in transaction accounts.

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

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

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

- (i) Individuals or sole proprietorships;
- (ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are

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not operated for profit. These include organizations, partnerships, corporations, or associations that are not organized for profit *and* are described in section 501(c)(3) through (13) and (19) and section 528 of the Internal Revenue Code, such as church organizations; professional associations; trade associations; labor unions; fraternities, sororities and similar social organizations; and non-profit recreational clubs; or

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

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

- (c) *ATS accounts* are deposits or accounts of individuals on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and from which, pursuant to written agreement arranged in advance between the reporting institution and the depositor, withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts.
- (d) *Telephone or preauthorized transfer accounts* consist of deposits or accounts (1) in which the entire beneficial interest is held by a party eligible to hold a NOW account, (2) on which the reporting institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account, and (3) ~~under the terms of which, or by practice of the reporting institution, the depositor is permitted or authorized to make more than six withdrawals per month or statement cycle (or~~

~~similar period) of at least four weeks for purposes of transferring funds to another account of the depositor at the same institution (including a transaction account) or for making payment to institution (including a transaction account) or for making payment to a third party by means of preauthorized transfer, or telephonic (including data transmission) agreement, order or instruction. An account that permits or authorizes more than six such withdrawals in a "month" (a calendar month or any period approximating a month that is at least four weeks long, such as a statement cycle) is a transaction account whether or not more than six such withdrawals actually are made in the "month."~~

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

Telephone and preauthorized transfer accounts also include (1) the balances of deposits or accounts that otherwise meet the definition of savings deposits (other than MMDAs) or time deposits, but from which payments may be made *to third parties* by means of a debit card, an automated teller machine, remote service unit or other electronic device, regardless of the number of payments made; and (2) deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for purposes of making payments or transfers to third persons or others, or to another deposit account of the depositor.

Telephone or preauthorized transfer accounts *do not include*:

- (i) Accounts that otherwise meet the definition of telephone or preauthorized transfer accounts as defined above but that are held by a depositor that is *not* eligible to hold

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a NOW account. Such accounts shall be reported as demand deposits.

- (ii) ~~Accounts, regardless of holder, that permit no more than six telephone or preauthorized transfers per month to another account of the depositor at the same institution or to a third party. (iii)~~
- (iii) All demand deposits, ATS accounts, NOW accounts, and savings deposits (including MMDAs), even if telephone or preauthorized transfers are permitted from such accounts.
- (iv) Deposits or accounts ~~(other than savings deposits) held by individuals from which more than six transfers per month can be made to a checking or NOW account to cover overdrafts. Such accounts are regarded as ATS accounts, not as telephone or preauthorized transfer accounts.~~

(2) *Nontransaction accounts*—All deposits ~~in nontransaction accounts (as defined above) are nontransaction accounts. Nontransaction accounts include:~~ **Insert Source A** ~~(a) savings deposits (including MMDAs and other savings deposits) and (b) time deposits (time certificates of deposit and time deposits, open account)~~

- (a) *Savings deposits* are deposits that are not payable on a specified date or after a specified period of time from the date of deposit, but for which the reporting institution expressly reserves the right to require at *least* seven days' written notice before an intended withdrawal.

~~Under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make no more than six transfers per calendar month or statement cycle (or similar period) of at least four weeks to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer or telephonic (including data transmission) agreement, order or instruction, or by check, draft, debit card or similar order made by the depositor and payable to third parties.~~

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

- ~~(1) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).~~
- ~~(2) Transfers of funds from this account to another account of the same depositor at the same institution when by mail, messenger, automated teller machine, or in person.~~
- ~~(3) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).~~

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

Any depository institution may place restrictions and requirements on savings deposits in addition to those stipulated above for each respective account and in Federal Reserve Regulation D.

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

- ~~(1) If the depositor is ineligible to hold a NOW account, such an account is considered a demand deposit.~~
- ~~(2) If the depositor is eligible to hold a NOW account, the account will be considered either a NOW account, a telephone or pre authorized transfer account, an ATS account, or a demand deposit, depending first on whether transfers or withdrawals by check, draft, or similar instrument are permitted or authorized and, if not, on the types of transfers allowed and on the type of depositor:~~
 - ~~(a) If withdrawals or transfers by check, draft, or similar instrument are permitted or authorized, the account is considered a NOW account.~~

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

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

- 1) If the reporting institution does not retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal, report the account as a demand deposit.
- 2) If the reporting institution does retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal and the depositor is eligible to hold a NOW account, report the account as either an ATS account, NOW account, or a telephone and preauthorized transfer account.
- 3) If the reporting institution does retain the reservation of right to require at *least* seven days' written notice before an intended withdrawal and the depositor is ineligible to hold a NOW account, the account should continue to be reported as a savings deposit.

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~~(b) If withdrawals or transfers by check, draft, or similar instrument are not permitted or authorized, the nature of the account is determined first by the type of transfers authorized or permitted and second by the type of depositor:~~

~~(i) If only telephone or preauthorized transfers are permitted or authorized, the account is considered a telephone or preauthorized transfer account.~~

~~(ii) If other types of transfers are authorized or permitted (e.g., automatic transfers), the account type is determined by the type of depositor:~~

~~(a) If the depositor is eligible to hold an ATS account, the account is considered an ATS account.~~

~~(b) If the depositor is ineligible to hold an ATS account, the account is considered a demand deposit.~~

(b) *Time deposits* are payable on a specified date not less than seven days after the date of deposit or payable at the expiration of a specified time not less than seven days after the date of deposit, or payable only upon written notice that is actually required to be given by the depositor not less than seven days prior to withdrawal. Also, the depositor does not have a right, and is not permitted, to make withdrawals from time deposits within six days after the date of deposit unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit.⁷ A time deposit from which partial early withdrawals are permitted must impose additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. If such additional early withdrawal penalties are not imposed, the account ceases to be a time deposit. The account may become a savings deposit if it meets the

requirements for a savings deposit; otherwise it becomes a demand deposit.

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

Time deposits take two forms:

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

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

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

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

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

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

(b) the expiration of a specified period of written notice of not less than seven days. These deposits include "club accounts." For purposes of the *Consolidated Financial Statements of Holding Companies*, "club accounts" consist of accounts, such as Christmas club and vacation club accounts, made under written contracts that provide

7. Accounts existing on March 31, 1986, may satisfy the early withdrawal penalties specified by Federal Reserve Regulation D by meeting the Depository Institutions Deregulation Committee's early withdrawal penalties in existence on March 31, 1986.

Glossary

that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than three months, even though some of the deposits are made within six days of the end of such period.

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

- (1) Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after deposit and that does not require an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days. Such deposits or accounts that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.
- (2) The remaining balance of a time deposit if a partial early withdrawal is made and the remaining balance is not subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. Such time deposits that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

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

There are three key criteria for retail sweep programs to

comply with Federal Reserve Regulation D definitions of “transaction account” and “savings deposit:”

- (1) A depository institution must establish by agreement with its transaction account customer two legally separate accounts: a transaction account (a NOW account or demand deposit account) and a savings deposit account, sometimes called a “money market deposit account” or “MMDA”;
- (2) The swept funds must actually be moved from the customer’s transaction account to the customer’s savings deposit account on the official books and records of the depository institution as of the close of the business on the day(s) on which the depository institution intends to report the funds in question as savings deposits and not transaction accounts, and vice versa. In addition to actually moving the customer’s funds between accounts and reflecting this movement at the account level:
 - (a) If the depository institution’s general ledger is sufficiently disaggregated to distinguish between transaction and savings deposit accounts, the aforementioned movement of funds between the customer’s transaction account and savings deposit account must be reflected on the general ledger.
 - (b) If the depository institution’s general ledger is not sufficiently disaggregated, the distinction may be reflected in supplemental records or systems, but only if such supplemental records or systems constitute official books and records of the institution and are subject to the same prudent managerial oversight and controls as the general ledger.

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

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

Glossary

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

Further, for purposes of the FR Y-9C report, if all ~~three~~ of the criteria above are met, a holding company must report the transaction account and nontransaction account components of a retail sweep program separately when it reports its quarter-end deposit information in Schedules HC and HC-E, its quarterly averages in Schedule HC-K, and its interest expense (if any) in Schedule HI. Thus, when reporting quarterly averages in Schedule HC-K, a holding company should include the amounts held in the transaction accounts (if interest-bearing) and the nontransaction savings accounts in retail sweep arrangements each day or each week in the appropriate separate items for average interest-bearing deposits. In addition, if the bank subsidiary pays interest on accounts involved in retail sweep arrangements, the interest expense reported in Schedule HI should be allocated to the appropriate category in item 2(a), “Interest on deposits,” based on the balances in these accounts during the reporting period.

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

(III) *Interest noninterest-bearing deposit distinction:*

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

Deposits with a zero percent interest rate that are *issued* on a *discount basis* are to be treated as interest-bearing. Deposit accounts on which the interest rate is periodically adjusted in response to changes

in market interest rates and other factors should be reported as interest-bearing even if the rate has been reduced zero, provided the interest rate on these accounts can be increased as market conditions change.

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

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

See also “Brokered deposits” and “Hypothecated deposits.”

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

Definition of Derivative

ASC Topic 815 defines a “derivative instrument” as a financial instrument or other contract with all three of the following characteristics: