

Board of Governors of the Federal Reserve System

Supplemental Instructions

March 2024 FR Y-9C Materials

The FR Y-9C report form and instructions have been revised this quarter as Financial Accounting Standards Board’s Accounting Standards Update No. 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (ASU 2016-13) is now effective for all holding companies. These revisions were approved in March 2019 following publication (see [84 FR 11783](#), March 28, 2019). The revisions primarily relate to changes in schedule titles or specific data item captions resulting from the change in nomenclature upon adoption of ASU 2016-13. In addition, the FR Y-9C instructions addressing the staggered adoption dates of the standard have been updated or removed, as appropriate. The related topic, “Credit Losses on Financial Instruments,” has been removed from the Supplemental Instructions this quarter. The topic on “Accounting for Loan Modifications to Borrowers Experiencing Financial Difficulties” has been updated to provide additional reporting guidance.

Debt Securities Transferred from Available-for-Sale to Held-to-Maturity

ASC Topic 320, “Investments–Debt Securities,” provides relevant guidance on accounting for debt securities. In accordance with ASC Topic 320, holding companies should categorize an investment in a debt security at acquisition as trading, available-for-sale (AFS), or held-to-maturity (HTM) and retain proper documentation as to its classification. At each reporting date, the appropriateness of a holding company’s classification of the investments in debt securities shall be reassessed.¹ In general, the reassessment of the classification of debt securities should align with the quarterly FR Y-9C dates.

In accordance with ASC Topic 320, any transfers of debt securities between categories are reported on the date of transfer at fair value. As with the initial classification of debt securities, any transfers of debt securities between categories should be well documented. A holding company’s financial records shall be maintained in such a manner as to ensure that the FR Y-9C is prepared in accordance with U.S. GAAP and FR Y-9C instructions and reflect a fair presentation of the holding company’s financial condition and results of operations. Amending a previously submitted FR-Y9C to retroactively report a debt security in another category when such transfer was not documented with evidence supporting the actual date of transfer is inappropriate. Holding companies are responsible for ensuring that FR Y-9C are accurate when initially filed for a quarterly reporting period.

For additional information, refer to ASC Topic 320, FR Y-9C General Instructions, and the FR Y-9C Glossary entries for “Allowance for Credit Losses” and “Securities Activities.”

¹ ASC paragraph 320-10-35-5.

Accounting for Loan Modifications to Borrowers Experiencing Financial Difficulty

In March 2022, the FASB issued ASU No. 2022-02, “Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures,” which amended ASC Topic 326, Financial Instruments – Credit Losses. This guidance, now effective for all holding companies, eliminates the recognition and measurement accounting guidance for Troubled Debt Restructurings (TDRs) by creditors in Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty, including performance in the 12 months after a modification. Consistent with the accounting for other loan modifications under ASC Section 310-20-35, Subsequent Measurements, under ASU 2022-02, a holding company would evaluate whether the modification to a borrower experiencing financial difficulty represents a new loan or a continuation of an existing loan.

ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, including interim reporting periods within those fiscal years, therefore, all holding companies must now apply ASC Topic 326, and ASU 2022-02. For additional information on ASU 2022-02, holding companies should refer to the FASB’s website at: [Accounting Standards Updates Issued \(fasb.org\)](https://www.fasb.org), which includes a link to the accounting standard update.

The FR Y-9C form and instructions have not yet been revised to incorporate ASU 2022-02, including for the elimination of TDR terminology. FR Y-9C respondents may use the line items that refer to TDRs to report loan modifications to borrowers experiencing financial difficulty. FR Y-9C respondents that report loan modifications to borrowers experiencing financial difficulty may use any look-back window that extends at least 12 months (e.g., respondents may report modifications in a manner that is consistent with GAAP financial statement disclosures, or on a cumulative basis since adoption of the standard).

For all holding companies, modifications to borrowers experiencing financial difficulty that are performing in accordance with their modified terms should be reported on Schedule HC-C, Part I, Memorandum items 1.a. through 1.g. If such a loan modification is not performing in accordance with its modified terms, it should be reported on Schedule HC-N, Memorandum items 1.a through 1.g. For the detailed breakout of Memorandum item 1.f on both Schedule HC-C and HC-N, holding companies should calculate the 10 percent threshold using loan modifications to borrowers experiencing financial difficulty.

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The ASU states that “reference rates such as the London Interbank Offered Rate (LIBOR) are widely used in a broad range of financial instruments and other agreements. Regulators and market participants in various jurisdictions have undertaken efforts, generally referred to as reference rate reform, to

eliminate certain reference rates and introduce new reference rates that are based on a larger and more liquid population of observable transactions. As a result of this initiative, certain widely used reference rates such as LIBOR are expected to be discontinued.”

The ASU provides optional expedients for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. In particular, the expedients in the ASU are available to be elected by all holding companies, subject to meeting certain criteria, for contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.

With respect to contracts, the ASU applies to contract modifications that replace a reference rate affected by reference rate reform (including rates referenced in fallback provisions) and contemporaneous modifications of other contract terms related to the replacement of the reference rate (including contract modifications to add or change fallback provisions). The ASU provides optional expedients for applying ASC in the following areas:

- ASC Topics 310, Receivables, and 470, Debt: Modifications of contracts within the scope of these topics should be accounted for by prospectively adjusting the effective interest rate.
- ASC Topics 840, Leases, and 842, Leases: Modifications of contracts within the scope of these topics should be accounted for as a continuation of the existing contracts with no reassessments of the lease classification and the discount rate (for example, the incremental borrowing rate) or remeasurements of lease payments that otherwise would be required under these topics for modifications not accounted for as separate contracts.
- ASC Subtopic 815-15, Derivatives and Hedging—Embedded Derivatives: Modifications of contracts do not require an entity to reassess its original conclusion about whether that contract contains an embedded derivative that is clearly and closely related to the economic characteristics and risks of the host contract under this subtopic.

For other topics in the ASC, the ASU states a general principle that permits a holding company to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. When elected, a holding company must apply the optional expedients for contract modifications consistently for all eligible contracts or eligible transactions within the relevant ASC topic that contains the guidance that otherwise would be required to be applied.

In addition, the ASU provides exceptions to the guidance in ASC Topic 815, Derivatives and Hedging, related to changes to the critical terms of a hedging relationship due to reference rate reform. The ASU includes examples of changes to these terms that should not result in the de-designation of the hedging relationship if certain criteria are met. The ASU also provides optional expedients for fair value hedging relationships, cash flow hedging relationships, and net investment hedging relationships for which the component excluded from the assessment of hedge effectiveness is affected by reference rate reform. If certain criteria are met, other optional expedients apply to cash flow hedging relationships affected by reference rate reform and to fair

value hedging relationships for which the derivative designated as the hedging instrument is affected by reference rate reform. The optional expedients for hedging relationships may be elected on an individual hedging relationship basis.

Finally, the ASU permits holding companies to make a one-time election to sell, transfer, or both sell and transfer held-to-maturity debt securities that reference a rate affected by reference rate reform and were classified as held-to-maturity before January 1, 2020.

The ASU is effective for all holding companies as of March 12, 2020, through December 31, 2024. For additional information, holding companies should refer to ASU 2020-04, which is available at [Accounting Standards Updates Issued \(fasb.org\)](https://www.fasb.org/Accounting-Standards-Updates-Issued).