

Board of Governors of the Federal Reserve System

Supplemental Instructions

December 2019

Technical Amendments to the Banking Agencies' Regulatory Capital Rule

The banking agencies' [capital simplifications final rule](#), which was published July 22, 2019, included technical amendments to the agencies' regulatory capital rule for holding companies, [12 CFR Part 217](#). These amendments took effect October 1, 2019, and made certain technical corrections and clarifications to the capital rule.

The final rule clarifies the definition of “eligible retained income,” which is reported in Schedule HC-R, Part I, item 47, if the amount of the capital conservation buffer reported in Schedule HC-R, Part I, item 46.a on the FR Y-9C, in general, is less than or equal to the required minimum capital conservation buffer of 2.5000 percent. The Holding Company instruction book updates for this quarter include clarified instructions for item 47 that result in a revision of the calendar quarters upon which the eligible retained income to be reported in item 47 should be based. The clarified instructions state, for example, that the amount of eligible retained income a holding company would report in item 47 for the December 31, 2019, report date should be based on the net income attributable to the holding company for the four calendar quarters ending on December 31, 2019.

In addition, the final rule adds the European Stability Mechanism and the European Financial Stability Facility to the list of entities for which exposures to, and the portions of exposures guaranteed by, the entity receive a zero percent risk weight. This risk weight applies to the reporting of such exposures for the December 31, 2019, report date. The “Summary of Risk Weights for Exposures to Government and Public Sector Entities” in the General Instructions for Schedule HC-R, Part II, will be updated to reflect this addition at a future date.

Reporting High Volatility Commercial Real Estate (HVCRE) Exposures

Section 214 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), which was enacted on May 24, 2018, adds a new Section 51 to the Federal Deposit Insurance Act (FDI Act) governing the risk-based capital requirements for certain acquisition, development, or construction (ADC) loans. EGRRCPA provides that, effective upon enactment, the Federal Reserve may only require a holding company to assign a heightened risk weight to an HVCRE exposure if such exposure is an “HVCRE ADC Loan,” as defined in this new law. Accordingly, a holding company is permitted to risk weight at 150 percent only those commercial real estate exposures it believes meet the statutory definition of an “HVCRE ADC Loan.” When reporting HVCRE exposures in the FR Y-9C regulatory capital schedule (Schedule HC-R) as of June 30, 2018, and subsequent report dates, holding companies may use available information to reasonably estimate and report only “HVCRE ADC Loans” held for sale and held for investment in Schedule HC-R, Part II, items 4.b and 5.b, respectively. Any “HVCRE ADC Loans” held for trading would be reported in Schedule HC-R, Part II, item 7. The portion of any “HVCRE ADC Loan” that is secured by collateral or has a guarantee that qualifies for a risk weight lower than 150 percent may continue to be assigned a lower risk weight when completing Schedule HC-R, Part II. Holding companies may refine their estimates of “HVCRE ADC Loans” in good faith as they obtain additional information, such as the [final rule](#) on the regulatory capital treatment for

HVCRE exposures published on December 13, 2019, and effective on April 1, 2020. However, holding companies will not be required to amend FR Y-9Cs for report dates on or after June 30, 2018, as these estimates are adjusted, and holding companies are not required to incorporate information contained in the final rule into their reporting and risk weighting of HVCRE exposures until report dates after the April 1, 2020, effective date of the [final rule](#).

Alternatively, holding companies may continue to report and risk weight HVCRE exposures in a manner consistent with the current FR Y-9C instructions for Schedule HC-R, Part II, until the June 30, 2020, report date when the agencies' [final rule](#) amending their regulatory capital rule revising the definition of an HVCRE exposure to conform to the statutory definition of an "HVCRE ADC loan" takes effect for reporting purposes. For more detail, see the agencies' final rule, which was published on December 13, 2019.

To avoid the regulatory burden associated with applying different definitions for HVCRE exposures within a single organization, the Federal Reserve will not take action to require a bank holding companies (BHC), savings and loan holding company (SLHC), or intermediate holding company (IHC) of a foreign bank to estimate and report HVCRE on Schedule HC-R, Part II, items 4.b, 5.b, and 7 of the FR Y-9C consistent with the existing regulatory requirements and reporting form instructions if the holding company reports HVCRE in a manner consistent with its subsidiary depository institution(s) on the FR Y-9C. A holding company may also continue to report and risk-weight HVCRE exposures in a manner consistent with the current instructions to Schedule HC-R, Part II of the FR Y-9C. Section 214 of EGRRCPA, which includes the definition of "HVCRE ADC Loan," is provided in the Appendix to these Supplemental Instructions for your reference.

Goodwill Impairment Testing

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-04, "Simplifying the Test for Goodwill Impairment," to address concerns over the cost and complexity of the two-step goodwill impairment test in Accounting Standards Codification (ASC) Subtopic 350-20, Intangibles—Goodwill and Other – Goodwill, that applies to an entity that has not elected the private company alternative for goodwill (which is discussed in the Glossary entry for "Goodwill" in the FR Y-9C instructions). Thus, the ASU simplifies the subsequent measurement of goodwill by eliminating the second step from the test, which involves the computation of the implied fair value of a reporting unit's goodwill. Instead, under the ASU, when an entity tests goodwill for impairment, which must take place at least annually, the entity should compare the fair value of a reporting unit with its carrying amount. In general, the entity should recognize an impairment charge for the amount, if any, by which the reporting unit's carrying amount exceeds its fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This one-step approach to assessing goodwill impairment applies to all reporting units, including those with a zero or negative carrying amount. An entity retains the option to perform the qualitative assessment for a reporting unit described in ASC Subtopic 350-20 to determine whether it is necessary to perform the quantitative goodwill impairment test.

For a holding company that is a public business entity and is also a U.S. Securities and Exchange Commission (SEC) filer, as both terms are defined in U.S. generally accepted accounting principles (GAAP), the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2019. For a public business entity that is not an SEC filer, the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2020. For all other holding companies, the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. For FR Y-9C purposes, a holding company should apply the provisions of ASU 2017-04 to goodwill impairment tests on a prospective basis in accordance with the applicable effective date of the ASU. A holding company that early adopts ASU 2017-04 for U.S. GAAP financial reporting purposes should early adopt the ASU in the same period for FR Y-9C purposes.

For additional information, holding companies should refer to ASU 2017-04, which is available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168778106&acceptedDisclaimer=true

Accounting and Reporting Implications of the New Tax Law

On January 18, 2018, the banking agencies issued an [Interagency Statement on Accounting and Reporting Implications of the New Tax Law](#) which was enacted on December 22, 2017, and is commonly known as the Tax Cuts and Jobs Act (the Act). U.S. GAAP requires the effect of changes in tax laws or rates to be recognized in the period in which the legislation is enacted. Thus, in accordance with Accounting Standards Codification (ASC) Topic 740, Income Taxes, the effects of the Act would be recorded in a holding company's FR Y-9C Report for December 31, 2017, because the Act was enacted before year-end 2017. Changes in deferred tax assets (DTAs) and deferred tax liabilities (DTLs) resulting from the Act's lower corporate income tax rate and other applicable provisions of the Act would be reflected in a holding companies' income tax expense in the period of enactment, i.e., the year-end 2017 FR Y-9C report. Holding companies should refer to the Interagency Statement for guidance on the remeasurement of DTAs and DTLs, assessing the need for valuation allowances for DTAs, the effect of the remeasurement of DTAs and DTLs on amounts recognized in accumulated other comprehensive income (AOCI), the use for FR Y-9C purposes of the measurement period approach described in the Securities and Exchange Commission's [Staff Accounting Bulletin No. 118](#) and a related [FASB Staff Q&A](#), and regulatory capital effects of the new tax law.

The Interagency Statement notes that the remeasurement of the DTA or DTL associated with an item reported in AOCI, such as unrealized gains (losses) on available-for-sale (AFS) securities, results in a disparity between the tax effect of the item included in AOCI and the amount recorded as a DTA or DTL for the tax effect of this item. However, when the new tax law was enacted, ASC Topic 740 did not specify how this disproportionate, or "stranded," tax effect should be resolved.

On February 18, 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," which allows holding companies to eliminate the stranded tax effects resulting from the Act by electing to reclassify these tax effects from AOCI to retained earnings. Thus, this reclassification is permitted, but not required. ASU 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim

periods within those fiscal years. A holding company electing to reclassify its stranded tax effects for U.S. GAAP financial reporting purposes should also reclassify these stranded tax effects in the same period for FR Y-9C Report purposes. For additional information, holding companies should refer to ASU 2018-02, which is available at

http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176170041017&acceptedDisclaimer=true.

A holding company that elects to reclassify the disproportionate, or stranded, tax effects of items within AOCI to retained earnings should not report any amounts associated with this reclassification in the FR Y-9C Report Schedule HI-A, Changes in Bank Equity Capital, because the reclassification is between two accounts within the equity capital section of Schedule HC, Balance Sheet, and does not result in any change in the total amount of equity capital. When discussing the regulatory capital effects of the new tax law, the Interagency Statement explains that temporary difference DTAs that could be realized through net operating loss (NOL) carrybacks are treated differently from those that could not be realized through NOL carrybacks (i.e., those for which realization depends on future taxable income) under the agencies' regulatory capital rules. These latter temporary differences DTAs are deducted from common equity tier 1 (CET1) capital if they exceed certain CET1 capital deduction thresholds. However, for tax years beginning on or after January 1, 2018, the Act generally removes the ability to use NOL carrybacks to recover federal income taxes paid in prior tax years. Thus, except as noted in the following sentence, for such tax years, the realization of all federal temporary difference DTAs will be dependent on future taxable income and these DTAs would be subject to the CET1 capital deduction thresholds. Nevertheless, consistent with current practice under the regulatory capital rules, when a holding company has paid federal income taxes for the current tax year, if all federal temporary differences were to fully reverse as of report date during the current tax year and create a hypothetical federal tax loss that would enable the holding company to recover federal income taxes paid in the current tax year, the federal temporary difference DTAs that could be realized from this source may be treated as temporary difference DTAs realizable through NOL carrybacks as of the regulatory capital calculation date.

Presentation of Net Benefit Cost in the Income Statement

In March 2017, the FASB issued ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which requires an employer to disaggregate the service cost component from the other components of the net benefit cost of defined benefit plans. In addition, the ASU requires these other cost components to be presented in the income statement separately from the service cost component, which must be reported with the other compensation costs arising during the reporting period.

For holding companies that are public business entities, as defined under U.S. GAAP, ASU 2017-07 is currently in effect. For holding companies that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods beginning after December 15, 2019. Early adoption is permitted as described in the ASU. Refer to the Glossary entries for "public business entity" and "private company" in the FR Y-9C Report instructions for further information on these terms.

For FR Y-9C purposes, a holding company should apply the new standard prospectively to the cost components of net benefit cost as of the beginning of the fiscal year of adoption. The service cost component of net benefit cost should be reported in Schedule HI, item 7.a, “Salaries and employee benefits.” The other cost components of net benefit cost should be reported in Schedule HI, item 7.d, “Other noninterest expense.”

For additional information, holding companies should refer to ASU 2017-07, which is available at http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168888120&acceptedDisclaimer=true.

Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, “Measurement of Credit Losses on Financial Instruments,” which introduces the current expected credit losses methodology (CECL) for estimating allowances for credit losses. Under CECL, the allowance for credit losses is a valuation account, measured as the difference between the financial assets’ amortized cost basis and the net amount expected to be collected on the financial assets (i.e., lifetime credit losses). To estimate expected credit losses under CECL, holding companies will use a broader range of data than under existing U.S. GAAP. These data include information about past events, current conditions, and reasonable and supportable forecasts relevant to assessing the collectability of the cash flows of financial assets.

The ASU is applicable to all financial instruments carried at amortized cost (including loans held for investment and held-to-maturity debt securities, as well as trade receivables, reinsurance receivables and receivables that relate to repurchase agreements and securities lending agreements) a lessor’s net investments in leases, and off-balance-sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credit, and financial guarantees. The new standard does not apply to trading assets, loans held for sale, financial assets for which the fair value option has been elected, or loans and receivables between entities under common control.

The ASU also modifies the treatment of credit impairment on available-for-sale (AFS) debt securities. Under the new standard, holding companies will recognize a credit loss on an AFS debt security through an allowance for credit losses, rather than the current practice required by U.S. GAAP of write-downs of individual securities for other-than-temporary impairment.

On November 15, 2019, the FASB issued ASU No. 2019-10 to defer the effective dates of ASU 2016-13 for certain holding companies. Under this ASU, for holding companies that are U.S. Securities and Exchange Commission (SEC) filers, excluding those that are “smaller reporting companies” as defined in the SEC’s rules, ASU 2016-13 continues to be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, i.e., January 1, 2020, for such entities with calendar year fiscal years. For all other entities, including those SEC filers that are smaller reporting companies, ASU 2016-13 now will take effect for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, i.e., January 1, 2023, for such entities with calendar year fiscal years. For all holding companies, early application of the new credit losses standard is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

Holding companies must apply ASU 2016-13 for FR Y-9C purposes in accordance with the effective dates set forth in the ASU, as amended in November 2019. A holding company that early adopts ASU 2016-13 for U.S. GAAP financial reporting purposes should also early adopt the ASU in the same period for FR Y-9 purposes.

The Federal Reserve revised several Federal Reserve reports and schedules as of the March 31, 2019, report date in response to the revised accounting for credit losses under ASU 2016-13. The FR Y-9C report revisions also include reporting changes to the regulatory capital schedule (Schedule HC-R) to align the schedule with the agencies' final rule on the implementation and capital transition for the CECL methodology in ASU 2016-13. This final capital rule for CECL was published on February 14, 2019.

- For additional information, holding companies should refer to the agencies' [Frequently Asked Questions on the New Accounting Standard on Financial Instruments – Credit Losses](#), which were most recently updated on April 3, 2019; the agencies' June 17, 2016, [Joint Statement on the New Accounting Standard on Financial Instruments – Credit Losses](#); and ASU 2016-13, which is available at http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168232528&acceptedDisclaimer=true. Since the issuance of ASU 2016-13, the FASB has published the following amendments to the new credit losses accounting standard: ASU 2018-19, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses,” available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176171644373&acceptedDisclaimer=true;
- ASU 2019-04, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,” available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176172541591&acceptedDisclaimer=true;
- ASU 2019-05, “Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief,” available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176172668879&acceptedDisclaimer=true;
- [ASU 2019-10, “Financial Instruments—Credit Losses \(Topic 326\), Derivatives and Hedging \(Topic 815\), and Leases \(Topic 842\): Effective Dates,”](#) available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173775344&acceptedDisclaimer=true; and
- ASU 2019-11, “Codification Improvements to Topic 326, Financial Instruments – Credit Losses,” available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173831330&acceptedDisclaimer=true

Accounting for Hedging Activities

In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-12, “Targeted Improvements to Accounting for Hedging Activities.” This ASU amends Accounting Standards Codification (ASC) Topic 815, Derivatives and Hedging, to “better align an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results.”

For holding companies that are public business entities, as defined under U.S. GAAP, ASU 2017-12 is currently in effect. For holding companies that are not public business entities (i.e., that are private companies), the FASB issued ASU 2019-10 on November 15, 2019, to defer the effective date of ASU 2017-12 by one year. As amended by ASU 2019-10, ASU 2017-12 will take effect for entities that are not public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

Early application of ASU 2017-12 is permitted for all holding companies in any interim period or fiscal year before the effective date of the ASU. Further, ASU 2017-12 specifies transition requirements and offers transition elections for hedging relationships existing on the date of adoption (i.e., hedging relationships in which the hedging instrument has not expired, been sold, terminated, or exercised or for which the holding company has not removed the designation of the hedging relationship). These transition requirements and elections should be applied on the date of adoption of ASU 2017-12 and the effect of adoption should be reflected as of the beginning of the fiscal year of adoption (i.e., the initial application date). Thus, if a holding company early adopts ASU 2017-12 in an interim period, any adjustments shall be reflected as of the beginning of the fiscal year that includes the interim period of adoption, e.g., as of January 1 for a calendar year. A holding company that early adopts ASU 2017-12 in an interim period for U.S. GAAP financial reporting purposes should also early adopt the ASU in the same period for FR Y-9C purposes.

The FR Y-9C instructions, including the Glossary entry for “Derivative Contracts,” will be revised to conform to the ASU at a future date.

For additional information, holding companies should refer to ASU 2017-12, which is available at http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176169282347&acceptedDisclaimer=true; and ASU 2019-10, “Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates,” which is available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173775344&acceptedDisclaimer=true.

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-08, “Premium Amortization on Purchased Callable Debt Securities.” This ASU amends Accounting Standards Codification (ASC) Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs (formerly FASB Statement No. 91, “Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases”), by shortening the amortization period for premiums on callable debt securities that have explicit, non-contingent call features and are callable at fixed prices and on preset dates. Under existing U.S. GAAP, the premium on such a callable debt security generally is required to be amortized as an adjustment of yield over the contractual life of the debt security. Under the ASU, the excess of the amortized cost basis of such a callable debt security over the amount repayable by the issuer at the earliest call date (i.e., the premium) must be amortized to the earliest call date (unless the holding company applies the guidance in ASC Subtopic 310-20 that allows estimates of future principal prepayments to be considered in the effective yield calculation when the holding company holds a large number of similar debt securities for which prepayments are probable and the timing and amount of the prepayments can be reasonably estimated). If the call option is not exercised at its earliest call date,

the holding company must reset the effective yield using the payment terms of the debt security.

The ASU does not change the accounting for debt securities held at a discount. The discount on such debt securities continues to be amortized to maturity (unless the Subtopic 310-20 guidance mentioned above is applied).

For holding companies that are public business entities, as defined under U.S. GAAP, the new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For holding companies that are not public business entities (i.e., that are private companies), the new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Refer to the Glossary entries for “public business entity” and “private company” in the FR Y-9C instructions for further information on these terms.

Early application of the new standard is permitted for all holding companies, including adoption in an interim period of a year before the applicable effective date for a holding company. If a holding company early adopts the ASU in an interim period, the cumulative-effect adjustment shall be reflected as of the beginning of the fiscal year of adoption.

A holding company must apply the new standard on a modified retrospective basis as of the beginning of the period of adoption. Under the modified retrospective method, a holding company should apply a cumulative-effect adjustment to affected accounts existing as of the beginning of the fiscal year the new standard is adopted. The cumulative-effect adjustment to retained earnings for this change in accounting principle should be reported in FR Y-9C Report Schedule HI-A, item 2.

For additional information, holding companies should refer to ASU 2017-08, which is available at http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176168934053&acceptedDisclaimer=true.

Recognition and Measurement of Financial Instruments: Investments in Equity Securities

In January 2016, the FASB issued ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities.” This ASU makes targeted improvements to U.S. GAAP. As one of its main provisions, the ASU requires investments in equity securities, except those accounted for under the equity method and those that result in consolidation, to be measured at fair value with changes in fair value recognized in net income. Thus, the ASU eliminates the existing concept of available-for-sale (AFS) equity securities, which are measured at fair value with changes in fair value generally recognized in other comprehensive income. To be classified as AFS under current U.S. GAAP, an equity security must have a readily determinable fair value and not be held for trading. In addition, for an equity security that does not have a readily determinable fair value, the ASU permits an entity to elect to measure the security at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. When this election is made for an equity security without a readily determinable fair value, the ASU simplifies the impairment assessment of such an investment by requiring a qualitative assessment to impairment.

The ASU’s measurement guidance for investments in equity securities also applies to other ownership interests, such as interests in partnerships, unincorporated joint ventures, and limited

liability companies. However, the measurement guidance does not apply to Federal Home Loan Bank and Federal Reserve Bank stock.

For holding companies that are public business entities, as defined under U.S. GAAP, ASU 2016-01 is currently in effect. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early application of the ASU is permitted for all holding companies that are not public business entities as described in the ASU. Holding companies must apply ASU 2016-01 for FR Y-9C purposes in accordance with the effective dates set forth in the ASU. Holding companies with a calendar year fiscal year that are not public business entities (and did not early adopt ASU 2016-01) must first report their investments in equity securities in accordance with the ASU in the FR Y-9C for December 31, 2019.

With the elimination of AFS equity securities upon a holding company's adoption of ASU 2016-01, the amount of net unrealized gains (losses) on these securities, net of tax effect, that is included in AOCI on the FR Y-9C balance sheet (Schedule HC, item 26.b) as of the adoption date will be reclassified (transferred) from AOCI into the retained earnings component of equity capital on the balance sheet (Schedule HC, item 26.a). For a holding company with a calendar year fiscal year that is not a public business entity (and did not early adopt ASU 2016-01), the adoption date is January 1, 2019. Thereafter, changes in the fair value of (i.e., the unrealized gains and losses on) an holding company's equity securities that would have been classified as AFS under previous U.S. GAAP will be recognized through net income rather than other comprehensive income (OCI). For a holding company's holdings of equity securities without readily determinable fair values as of the adoption date for which the measurement alternative is elected, the measurement provisions of the ASU are to be applied prospectively to these securities.

- A holding company with a calendar year fiscal year that is not a public business entity, did not early adopt ASU 2016-01, and must first report its investments in equity securities in accordance with the ASU in the FR Y-9C for December 31, 2019, should report the fair value of its equity securities with readily determinable fair values not held for trading in Schedule HC, item 2.c, and leave Schedule HC-B, item 7, columns C and D, blank. The institution should continue to report its equity securities and other equity investments without readily determinable fair values not held for trading in Schedule HC-G, item 4, or in Schedule HC, item 9, "Direct and indirect investments in real estate venture," as applicable. In addition, the institution should report the following in Schedule HI, item 8.b, "Unrealized holding gains (losses) on equity securities not held for trading," in its year-end 2019 FR Y-9C: Unrealized holding gains (losses) before applicable income taxes, if any, during the January 1 through December 31, 2019, reporting period on equity securities with readily determinable fair values not held for trading. Because these equity securities were previously reported as available-for-sale equity securities in the FR Y-9C, the year-to-date unrealized holding gains (losses) on these securities, net of applicable income taxes, if any, were reported in Schedule HI-A, item 12, "Other comprehensive income," in the FR Y-9C for September 30, 2019. No unrealized holding gains (losses) on available-for-sale equity securities should be reported in Schedule HI-A, item 12, in the FR Y-9C for December 31, 2019.
- Unrealized holding gains (losses) during the January 1 through December 31, 2019, reporting period on equity securities and other equity investments without readily determinable fair values not held for trading that are measured at fair value through earnings. Also include in Schedule HI, item 8.b, impairment, if any, plus or minus changes resulting from observable price changes during the January 1 through December 31, 2019, reporting period on equity securities and other

equity investments without readily determinable fair values not held for trading for which this measurement election is made. Year-to-date other-than temporary impairment losses on equity securities and other equity investments without readily determinable fair values not held for trading (including those reported in Schedule HC, item 9) that were reported in Schedule HI, item 5.k, in the FR Y-9C for September 30, 2019, should be excluded from item 5.k in the FR Y-9C for December 31, 2019, when the valuation changes on such equities during 2019 described in the two preceding sentences must be reported in Schedule HI, item 8.b.

- Realized gains (losses) on equity securities and other equity investments not held for trading during the January 1 through December 31, 2019, reporting period. Year-to-date realized gains (losses) on such equities (including those reported in Schedule HC, item 9) that were reported in Schedule HI, items 6.b and 5.k, as applicable, in the FR Y-9C for September 30, 2019, should be excluded from these items and included in the amount reported in Schedule HI, item 8.b, in the FR Y-9C for December 31, 2019.

For additional information, holding companies should refer to ASU 2016-01, which is available at http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176167762170&acceptedDisclaimer=true. Holding companies may also refer to the Glossary entry for “Securities Activities” in the FR Y-9C instruction books,

Recognition and Measurement of Financial Instruments: Fair Value Option Liabilities

In addition to the changes in the accounting for equity securities discussed in the preceding section of these Supplemental Instructions, ASU No. 2016-01 requires a holding company to present separately in other comprehensive income (OCI) the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (“own credit risk”) when the holding company has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Until a holding company adopts the own credit risk provisions of the ASU, U.S. GAAP requires the holding company to report the entire change in the fair value of a fair value option liability in earnings. The ASU does not apply to other financial liabilities measured at fair value, including derivatives. For these other financial liabilities, the effect of a change in an entity’s own credit risk will continue to be reported in net income.

The change due to own credit risk, as described above, is the difference between the total change in fair value and the amount resulting from a change in a base market rate (e.g., a risk-free interest rate). A holding company may use another method that it believes results in a faithful measurement of the fair value change attributable to instrument-specific credit risk. However, it will have to apply the method consistently to each financial liability from period to period.

The effective dates of ASU 2016-01 are described in the preceding section of these Supplemental Instructions. Notwithstanding these effective dates, early application of the ASU’s provisions regarding the presentation in OCI of changes due to own credit risk on fair value option liabilities is permitted for all holding companies for financial statements of fiscal years or interim periods that have not yet been issued or made available for issuance, and in the same period for FR Y-9C Report purposes.

When a holding company with a calendar year fiscal year adopts the own credit risk provisions of ASU 2016-01, the accumulated gains and losses as of the beginning of the fiscal year due to changes in the instrument-specific credit risk of fair value option liabilities, net of tax effect, are

reclassified from Schedule HC, item 26(a), “Retained earnings,” to Schedule HC, item 26(b), “Accumulated other comprehensive income” (AOCI). If a holding company with a calendar year fiscal year chooses to early apply the ASU’s provisions for fair value option liabilities in an interim period after the first interim period of its fiscal year, any unrealized gains and losses due to changes in own credit risk and the related tax effects recognized in the FR Y-9C Report income statement during the interim period(s) before the interim period of adoption should be reclassified from earnings to OCI. In the FR Y-9C Report, this reclassification would be from Schedule HI, item 5.1, “Other noninterest income,” and Schedule HI, item 9, “Applicable income taxes,” to Schedule HI-A, item 12, “Other comprehensive income,” with a corresponding reclassification from Schedule HC, item 26(a), to Schedule HC, item 26(b).

A similar approach would apply to an institution with a calendar year fiscal year that is not a public business entity, did not early adopt the own credit risk provisions of ASU 2016-01, and must first report the changes in the instrument-specific credit risk of fair value option liabilities in accordance with the ASU in the FR Y-9C for December 31, 2019. Such an institution should reclassify any year-to-date unrealized gains and losses due to changes in own credit risk and the related tax effects that were included in Schedule HI, item 5.1, “Other noninterest income,” and Schedule HI, item 9, “Applicable income taxes,” respectively, in the September 30, 2019, FR Y-9C to Schedule HI-A, item 12, “Other comprehensive income,” in the FR Y-9C for December 31, 2019. The institution also must include the changes during the fourth quarter of 2019 in the instrument-specific credit risk of fair value option liabilities, net of applicable income taxes, in the amount of OCI reported in Schedule HI-A, item 12, as of December 31, 2019.

Additionally, for purposes of reporting on Schedule HC-R, Part I, holding companies should report in item 10.a, “Less: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk,” the amount included in AOCI attributable to changes in the fair value of fair value option liabilities that are due to changes in the holding company’s own credit risk. Holding companies should note that this AOCI amount is included in the amount reported in Schedule HC-R, Part I, item 3, “Accumulated other comprehensive income (AOCI).”

For additional information, holding companies should refer to ASU 2016-01, which is available at http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176167762170&acceptedDisclaimer=true.

New Revenue Recognition Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers,” which added Topic 606, Revenue from Contracts with Customers, to the Accounting Standards Codification (ASC). The core principle of Topic 606 is that an entity should recognize revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer as part of the entity’s ordinary activities. ASU 2014-09 also added Topic 610, Other Income, to the ASC. Topic 610 applies to income recognition that is not within the scope of Topic 606, other Topics (such as Topic 840 on leases), or other revenue or income guidance. As discussed in the following section of these Supplemental Instructions, Topic 610 applies to a holding company’s sales of repossessed nonfinancial assets, such as other real estate owned (OREO). The sale of repossessed nonfinancial assets is not considered an “ordinary activity” because holding companies do not typically invest in nonfinancial assets. ASU 2014-09 and

subsequent amendments are collectively referred to herein as the “new standard.” For additional information on this accounting standard and the revenue streams to which it does and does not apply, please refer to the Glossary entry for “Revenue from Contracts with Customers,” which has been added to the FR Y-9C instructions this quarter.

For holding companies that are public business entities, as defined under U.S. generally accepted accounting principles (GAAP), the new standard is currently in effect. For holding companies that are not public business entities (i.e., that are private companies), the new standard is effective for fiscal years beginning after December 15, 2018, and interim reporting periods within fiscal years beginning after December 15, 2019. Early application of the new standard is permitted for all holding companies for fiscal years beginning after December 15, 2016, and interim reporting periods as prescribed in the new standards described in the standard. Holding companies that are private companies with a calendar year fiscal year (that did not early adopt the new standard) must first report revenue in accordance with the standard in the FR Y-9C for December 31, 2019.

A holding company that early adopts the new standard must apply it in its entirety. The holding company cannot choose to apply the guidance to some revenue streams and not to others that are within the scope of the new standard. . If a holding company chooses to early adopt the new standard for financial reporting purposes, the holding company should implement the new standard in its FR Y-9C for the same quarter-end report date.

For FR Y-9C purposes, a holding company must apply the new standard on a modified retrospective basis as of the effective date of the standard. Under the modified retrospective method, a holding company should apply a cumulative-effect adjustment to affected accounts existing as of the beginning of the fiscal year the new standard is adopted (i.e., as of January 1, 2019, for a holding company that is a private company with a calendar year fiscal year that did not early adopt the new standard)..In its FR Y-9C for December 31, 2019, a holding company that is a private company with a calendar year fiscal year that did not early adopt the new standard should report revenue for the entire calendar year (January 1 through December 31, 2019) in accordance with this new standard even though the year-to-date revenue it reported in its FR Y-9C for September 30, 2019, was recognized in accordance with previous U.S. GAAP. The cumulative-effect adjustment to retained earnings for this change in accounting principle as of January 1, 2019, should be reported in Schedule HI-A, item 2, of the December 31, 2019, FR Y-9C. The cumulative- effect adjustment to retained earnings for this change in accounting principle should be reported in the FR Y-9C Schedule HI-A, item 2.

For additional information, holding companies should refer to the new standard, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Revenue Recognition: Accounting for Sales of OREO

As stated in the preceding section, Topic 610 applies to a holding company's sale of repossessed nonfinancial assets, such as OREO. When the new standard becomes effective at the dates discussed above, Topic 610 will eliminate the prescriptive criteria and methods for sale accounting and gain recognition for dispositions of OREO currently set forth in ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales. Under the new standard, a holding company will recognize the entire gain, if any, and derecognize the OREO at the time of sale if the transaction meets the requirements of Topic 606. Otherwise, a holding company will record any payments received as a deposit liability to the buyer and continue reporting the OREO as an asset at the time of the transaction.

The following paragraphs highlight key aspects of Topic 610 that will apply to seller- financed sales of OREO once the new standard takes effect. When implementing the new standard, a holding company will need to exercise judgment in determining whether a contract (within the meaning of Topic 606) exists for the sale or transfer of OREO, whether the holding company has performed its obligations identified in the contract, and what the transaction price is for calculation of the amount of gain or loss. For additional information, please refer to the Glossary entry for “Foreclosed Assets” in the FR Y-9C instructions, which has been updated this quarter to incorporate guidance on the application of the new standard to sales of OREO.

Under Topic 610, a holding company's first step in assessing whether it can derecognize an OREO asset and recognize revenue upon the sale or transfer of the OREO is to determine whether a contract exists under the provisions of Topic 606. In order for a transaction to be a contract under Topic 606, it must meet five criteria. Although all five criteria require careful analysis for seller-financed sales of OREO, two criteria in particular may require significant judgment. These criteria are the commitment of the parties to the transaction to perform their respective obligations and the collectability of the transaction price. To evaluate whether a transaction meets the collectability criterion, a selling holding company must determine whether it is probable that it will collect substantially all of the consideration to which it is entitled in exchange for the transfer of the OREO, i.e., the transaction price. To make this determination, as well as the determination that the buyer of the OREO is committed to perform its obligations, a holding company should consider all facts and circumstances related to the buyer's ability and intent to pay the transaction price. As with the current accounting standards governing seller-financed sales of OREO, the amount and character of a buyer's initial equity in the property (typically the cash down payment) and recourse provisions remain important factors to evaluate. Other factors to consider may include, but are not limited to, the financing terms of the loan (including amortization and any balloon payment), the credit standing of the buyer, the cash flow from the property, and the selling holding company's continuing involvement with the property following the transaction.

If the five contract criteria in Topic 606 have not been met, the holding company may not derecognize the OREO asset or recognize revenue (gain or loss) as an accounting sale has not occurred. In contrast, if the holding company determines the contract criteria in Topic 606

have been met, it must then determine whether it has satisfied its performance obligations as identified in the contract by transferring control of the asset to the buyer, indicators of which are identified in the new standard. For seller-financed sales of OREO, the transfer of control generally occurs on the closing date of the sale when the holding company obtains the right to receive payment for the property and transfers legal title to the buyer. However, a holding company must consider all relevant facts and circumstances to determine whether control of the OREO has transferred.

When a contract exists and a holding company has transferred control of the asset, the holding company should derecognize the OREO asset and recognize a gain or loss for the difference between the transaction price and the carrying amount of the OREO asset. Generally, the transaction price in a sale of OREO will be the contract amount in the purchase/sale agreement, including for a seller-financed sale financed at market terms. However, the transaction price may differ from the amount stated in the contract due to the existence of below market terms on the financing. In this situation, the contract amount should be adjusted for the time value by using as the discount rate a market rate of interest considering the credit characteristics of the buyer and the terms of the financing.

As stated in the preceding section, for FR Y-9C purposes, holding companies must apply the new standard on a modified retrospective basis. To determine the cumulative-effect adjustment for the change in accounting for seller-financed OREO sales, holding companies should measure the impact of applying Topic 610 to the outstanding seller-financed sales of OREO currently accounted for under Subtopic 360-20 using the installment, cost recovery, reduced-profit, or deposit method as of the beginning of the fiscal year the new standard is adopted (i.e., as of January 1, 2019, for a holding company that is a private company with a calendar year fiscal year that did not early adopt the new standard) The cumulative-effect adjustment to retained earnings for this change in accounting principle should be reported in FR Y-9C Schedule HI-A, item 2. In its FR Y-9C for December 31, 2019, a holding company that is a private company with a calendar year fiscal year that did not early adopt the new standard should recognize and report revenue (gains and losses) on OREO transfers accounted for as sales in accordance with the new standard over the entire calendar year (January 1 through December 31, 2019) even though the year-to-date revenue on OREO transfers it reported in its FR Y-9C for September 30, 2019, was recognized in accordance with previous U.S. GAAP. The cumulative-effect adjustment to retained earnings for this change in accounting principle as of January 1, 2019, should be reported in Schedule HI-A, item 2, of the December 31, 2019, FR Y-9C.

Accounting for Leases

In February 2016, the FASB issued ASU No. 2016-02, “Leases,” which added ASC Topic 842, Leases. Once effective, this guidance, as amended by certain subsequent ASUs, supersedes ASC Topic 840, Leases.

Topic 842 does not fundamentally change lessor accounting; however, it aligns terminology between lessee and lessor accounting and brings key aspects of lessor accounting into alignment with the FASB’s new revenue recognition guidance in ASC Topic 606. As a result, the classification difference between direct financing leases and sales-type leases for lessors moves from a risk-and-rewards principle to a transfer of control principle. Additionally, there is no longer a distinction in the treatment of real estate and non-real estate leases by lessors.

The most significant change that Topic 842 makes is to lessee accounting. Under existing accounting standards, lessees recognize lease assets and lease liabilities on the balance sheet for capital leases, but do not recognize operating leases on the balance sheet. The lessee accounting model under Topic 842 retains the distinction between operating leases and capital leases, which the new standard labels finance leases. However, the new standard requires lessees to record a right-of-use (ROU) asset and a lease liability on the balance sheet for operating leases. (For finance leases, a lessee’s lease asset also is designated an ROU asset.) In general, the new standard permits a lessee to make an accounting policy election to exempt leases with a term of one year or less at their commencement date from on-balance sheet recognition. The lease term generally includes the noncancellable period of a lease as well as purchase options and renewal options reasonably certain to be exercised by the lessee, renewal options controlled by the lessor, and any other economic incentive for the lessee to extend the lease. An economic incentive may include a related-party commitment. When preparing to implement Topic 842, lessees will need to analyze their existing lease contracts to determine the entries to record on adoption of this new standard.

For a sale-leaseback transaction to qualify for sales treatment, Topic 842 requires certain criteria within Topic 606 to be met. Topic 606 focuses on the transfer of control of the leased asset from the seller/lessee to the buyer/lessor. A sale-leaseback transaction that does not transfer control is accounted for as a financing arrangement. For a transaction currently accounted for as a sale-leaseback under existing GAAP, an entity is not required to reassess whether the transaction would have qualified as a sale and a leaseback under Topic 842 when it adopts the new standard.

Leases classified as leveraged leases prior to the adoption of Topic 842 may continue to be accounted for under Topic 840 unless subsequently modified. Topic 842 eliminates leveraged lease accounting for leases that commence after an entity adopts the new accounting standard.

For holding companies that are public business entities, as defined by U.S. generally accepted accounting principles (GAAP), ASU 2016-02 is currently in effect. For holding companies that are not public business entities, the FASB issued ASU 2019-10 on November 15, 2019, to defer the effective date of ASU 2016-02 by one year. As amended by ASU 2019-10, ASU 2016-02 will take effect for entities that are not public business entities for fiscal years beginning after December 15, 2020, and interim reporting periods within fiscal years beginning after December 15, 2021. A holding company that early adopts the new standard must apply it in its

entirety to all lease-related transactions. If a holding company chooses to early adopt the new standard for financial reporting purposes, the holding company should implement the new standard in its FR Y-9C report for the same quarter-end report date.

Under ASU 2016-02, a holding company must apply the new leases standard on a modified retrospective basis for financial reporting purposes. Under the modified retrospective method, a holding company should apply the leases standard and the related cumulative-effect adjustments to affected accounts existing as of the beginning of the earliest period presented in the financial statements. However, as explained in the “Changes in accounting principles” section of the Glossary entry for “Accounting Changes” in the FR Y-9C instructions, when a new accounting standard (such as the leases standard) requires the use of a retrospective application method, holding companies should instead report the cumulative effect of adopting the new standard on the amount of retained earnings at the beginning of the year in which the new standard is first adopted for FR Y-9C purposes (net of applicable income taxes, if any) as a direct adjustment to equity capital in the FR Y-9C. For the adoption of the new leases standard, the cumulative-effect adjustment to bank equity capital for this change in accounting principle should be reported in Schedule HI-A, item 2. In July 2018, the FASB issued ASU 2018-11, “Targeted Improvements,” which provides an additional and “optional transition method” for comparative reporting purposes at adoption of the new leases standard. Under this optional transition method, a holding company initially applies the new leases standard at the adoption date (e.g., January 1, 2019, for a public business entity with a calendar year fiscal year) and, for FR Y-9C purposes, the holding company should recognize and report a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with the Glossary instructions described above

For FR Y-9C purposes, all ROU assets for operating leases and finance leases, including ROU assets for operating leases recorded upon adoption of ASU 2016-02, should be reflected in Schedule HC, item 6, “Premises and fixed assets.”

The agencies have received questions from holding companies concerning the reporting of lease liabilities for operating leases by a bank lessee. These holding companies indicated that reporting operating lease liabilities as other liabilities instead of other borrowings would better align the reporting of the single noninterest expense item for operating leases (required by the standard and discussed below) with their balance sheet classification and would be consistent with how these holding companies report these lease liabilities internally. On October 4, 2019, the agencies requested public comment on this proposed change in reporting with a proposed effective date of March 31, 2020. However, until this proposed change takes effect, the agencies will permit holding companies to report the lease liability for operating leases in either Schedule HC-G, item 4, “All other liabilities,” or Schedule HC-M, item 14, “Other borrowed money.” A holding company may choose to amend the reporting of operating lease liabilities in its FR Y-9C for previous report dates, consistent with this supplemental instruction.

In the FR Y-9C report income statement, for an operating lease, a lessee should report a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, in Schedule HI, item 7.b, “Expenses of premises and fixed assets.” For a finance lease, a lessee should report interest expense on the lease liability separately from the amortization expense on the ROU asset. The interest expense should be reported on Schedule HI in item 2.c, “Interest on trading liabilities and other borrowed money,” on the FR Y-9C

report. The amortization expense should be reported on Schedule HI in item 7.b, “Expenses of premises and fixed assets.

The agencies have also received questions regarding how lessee holding companies should treat ROU assets under the agencies’ regulatory capital rules (12 CFR Part 3 (OCC); 12 CFR Part 217 (Board); and 12 CFR Part 324 (FDIC)). Those rules require that most intangible assets be deducted from regulatory capital. However, some holding companies are uncertain whether ROU assets are intangible assets. The agencies are clarifying that, to the extent an ROU asset arises due to a lease of a tangible asset (e.g., building or equipment), the ROU asset should be treated as a tangible asset not subject to deduction from regulatory capital. An ROU asset not subject to deduction must be risk weighted at 100 percent under Section 32(1)(5) of the agencies’ regulatory capital rules and included in a lessee holding company’s calculations of total risk-weighted assets. In addition, such an asset must be included in a lessee holding company’s total assets for leverage capital purposes. The agencies believe this treatment is consistent with the current treatment of capital leases under the rules, whereby a lessee’s lease assets under capital leases of tangible assets are treated as tangible assets, receive a 100 percent risk weight, and are included in the leverage ratio denominator. This treatment is also consistent with the approach taken by the Basel Committee on Banking Supervision (<https://www.bis.org/press/p170406a.htm>).

For additional information on ASU 2016-02, holding companies should refer to the FASB’s website at:

http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FCompletedProjectPage&cid=1176167904031, which includes a link to the new accounting standard.

Other Reporting Matters

For the following topics, holding companies should continue to follow the guidance in the specified FR Y-9C Supplemental Instructions:

Regulatory Capital Treatment of Certain Centrally-Cleared Derivative Contracts

Holding companies should continue to follow the guidance for Regulatory Capital Treatment of Certain Centrally-Cleared Derivative Contracts in the FR Y-9C Supplemental Instructions for December 2018. These instructions can be accessed via the Federal Reserve’s website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201812.pdf)

Reporting Exposures Hedged with Cleared Eligible Credit Derivatives in Schedule HC-R

Holding companies should continue to follow the guidance for Reporting Exposures Hedged with Cleared Eligible Credit Derivatives in Schedule HC-R that was included in the FR Y-9C Supplemental Instructions for December 2016. These instructions can be accessed via the Federal Reserve’s website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201612.pdf)

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share

Holding companies should continue to follow the guidance for Disclosures for Investments in Certain Entities that Calculate Net Asset Value per share that was included in the FR Y-9C Supplemental Instructions for December 2016. These instructions can be accessed via the Federal Reserve's website

(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201612.pdf)

Debt Issuance Cost

Holding companies should continue to follow the guidance for Debt Issuance Cost that was included in the FR Y-9C Supplemental Instructions for September 2016. These instructions can be accessed via the Federal Reserve's website

(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201609.pdf)

Accounting for Subsequent Restructuring of a Troubled Debt Restructuring

Holding companies should continue to follow the guidance for Accounting for Subsequent Restructuring of a Troubled Debt Restructuring that was included in the FR Y-9C Supplemental Instructions for September 2016. These instructions can be accessed via the Federal Reserve's website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201609.pdf)

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon a Foreclosure

Holding companies should continue to follow the guidance for Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon a Foreclosure that was included in the FR Y-9C Supplemental Instructions for September 2016. These instructions can be accessed via the Federal Reserve's website

(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201609.pdf)

Reporting Certain Government-Guaranteed Mortgage Loans upon Foreclosure

Holding companies should continue to follow the guidance for Reporting Certain Government-Guaranteed Mortgage Loans upon Foreclosure that was included in the FR Y-9C Supplemental Instructions for September 2016. These instructions can be accessed via the Federal Reserve's website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201609.pdf)

Secured Consumer Debt Discharged in a Chapter 7 Bankruptcy Order

Holding companies should continue to follow the guidance for Secured Consumer Debt Discharged in a Chapter 7 Bankruptcy Order that was included in the FR Y-9C Supplemental Instructions for December, 2015. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201512.pdf)

True Up Liability under an FDIC Loss-Sharing Agreement

Holding companies should continue to follow the guidance for True up liability under an FDIC loss-sharing agreement that was included in the FR Y-9C Supplemental Instructions for September, 2015. These instructions can be accessed via the Federal Reserve's Web site

(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201509.pdf)

Purchased Loans Originated by Others

Holding companies should continue to follow the guidance for purchased loans originated by others that was included in the FR Y-9C Supplemental Instructions for September, 2015. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201509.pdf)

Troubled Debt Restructurings, Current Market Interest Rates, and ASU No. 2011-02

Holding companies should continue to follow the guidance for troubled debt restructurings that was included in the FR Y-9C Supplemental Instructions for March 31, 2015. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201503.pdf)

Indemnification Assets and Accounting Standards Update No. 2012-06

Holding companies should continue to follow the guidance for indemnification assets that was included in the FR Y-9C Supplemental Instructions for June 30, 2014. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201406.pdf)

Determining the Fair Value of Derivatives

Holding companies should continue to follow the guidance in determining the fair value of derivatives that was included in the FR Y-9C Supplemental Instructions for June 30, 2014. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201406.pdf)

Other- Than- Temporary Impairment

Holding companies should continue to follow the guidance on reporting other-than- temporary- impairment that was included in the FR Y-9C Supplemental Instructions for June 30, 2014. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201406.pdf)

Reporting Defined Benefit Postretirement Plans

Holding companies should continue to follow the guidance regarding the reporting of defined benefit postretirement plans that was included in the FR Y-9C Supplemental Instructions for June 30, 2013. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201306.pdf).

Goodwill Impairment Testing

Holding companies should continue to follow the guidance regarding reporting related to goodwill impairment testing that was included in the FR Y-9C Supplemental Instructions for March 31, 2013. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201303.pdf).

Small Business Lending Fund

Holding companies should continue to follow the guidance regarding reporting related to the U.S. Treasury Department's Small Business Lending Fund (SBLF) that was included in the FR Y-9C Supplemental Instructions for March 31, 2013. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201303.pdf).

Treasury Department's Community Development Capital Initiative Program

Holding companies should continue to follow the guidance regarding reporting related to the Treasury Department's Community Development Capital Initiative Program that was included in the FR Y-9C Supplemental Instructions for September 30, 2012. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201209.pdf).

Reporting Purchased Subordinated Securities in Schedule HC-S

Holding companies should continue to follow the guidance on reporting purchased subordinated securities in Schedule HC-S that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Consolidated Variable Interest Entities

Holding companies should continue to follow the guidance on reporting and accounting for consolidated variable interest entities that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Treasury Department's Capital Purchase Program

Holding companies should continue to follow the guidance on accounting and reporting for the U.S. Treasury Department's Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008 that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Accounting Standards Codification

A description of the adoption of FASB Statement No. 168, “The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles” was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve’s Web site

(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Extended Net Operating Loss Carryback Period

Holding companies should continue to follow the guidance on accounting for the extended net operating loss carryback period under the Worker, Homeownership, and Business Assistance Act of 2009, that was included in the FR Y-9C Supplemental Instructions for December 31, 2010. These instructions can be accessed via the Federal Reserve’s Web site

(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201012.pdf).

FASB Interpretation No. 48 on Uncertain Tax Positions

Holding companies should continue to follow the guidance on accounting for uncertain tax positions under FASB Interpretation No. 48 that was included in the FR Y-9C Supplemental Instructions for December 31, 2009. These instructions can be accessed via the Federal Reserve’s Web site

(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_200912.pdf).

Business Combinations and Noncontrolling (Minority) Interests

Holding companies should continue to follow the guidance on accounting for business combinations and noncontrolling (minority) interests under FASB Statements Nos. 141(R) and 160 that was included in the FR Y-9C Supplemental Instructions for September 30, 2009.

These instructions can be accessed via the Federal Reserve’s Web site

(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_200909.pdf)

Fair Value Measurement and Fair Value Option

Holding companies should continue to follow the guidance on fair value measurements under FASB Statement No. 157, *Fair Value Measurements*, and the guidance on implementing the fair value option under FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, that was included in the FR Y-9C Supplemental Instructions for June 30, 2009. These instructions can be accessed via the Federal Reserve’s Web site

(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_200906.pdf).

Accounting for Share-based Payments

Holding companies should continue to follow the guidance on accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* (FAS 123(R)), that was included in the FR Y-9C Supplemental Instructions for December 31, 2006. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_200612.pdf).

Tobacco Transition Payment Program

Holding companies should continue to follow guidance on the tobacco buyout program included in the FR Y-9C Supplemental Instructions for June 30, 2006, which can be accessed via the Federal Reserve's Web site (<http://www.federalreserve.gov/reportforms/supplemental/SI.FRY9.200606.pdf>).

Commitments to Originate and Sell Mortgage Loans

Holding companies should continue to follow the guidance provided on this subject in the FR Y-9C Supplemental Instructions provided for December 31, 2005. These Supplemental Instructions can be accessed via the Federal Reserve's Web site (<http://www.federalreserve.gov/reportforms/supplemental/SI.FRY9.200512.pdf>).