

FFIEC 031
Draft Instructions for Call Report Revisions
Proposed to Take Effect as of the
September 30, 2025, Report Date

The following draft instructions, which are subject to change, present the pages from the FFIEC 031 and 041 Call Report instructions as they are proposed to be revised. These proposed revisions are described in the federal banking agencies' initial Paperwork Reduction Act (PRA) Federal Register notice published in the Federal Register on January 26, 2024.

The initial PRA Federal Register notice and draft redlined instructions and reporting form for these proposed revisions to the FFIEC 031 Call Report are available on the [FFIEC webpage for the FFIEC 031 Call Report](#).

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GENERAL INSTRUCTIONS

Schedules RC and RC-A through RC-V constitute the [FFIEC 031](#) and [FFIEC 041](#) versions of the Consolidated Report of Condition and its supporting schedules. Schedules RI and RI-A through RI-E constitute the [FFIEC 031](#) and [FFIEC 041](#) versions of the Consolidated Report of Income and its supporting schedules. The Consolidated Reports of Condition and Income are commonly referred to as the Call Report. For purposes of these General Instructions, the [Financial Accounting Standards Board](#) (FASB) [Accounting Standards Codification](#) is referred to as "ASC." In addition, a FASB Accounting Standards Update is referred to as "ASU."

Unless the context indicates otherwise, the term "bank" in the Call Report instructions refers to both banks and savings associations.

WHO MUST REPORT ON WHAT FORMS

Every national bank, state member bank, insured state nonmember bank, and savings association is required to file a consolidated Call Report normally as of the close of business on the last calendar day of each calendar quarter, i.e., the report date. The specific reporting requirements for a bank depend upon the size of the bank, whether it has any "foreign" offices, and the capital standards applicable to the bank. Banks must file the appropriate report form as described below:

(1) **BANKS WITH FOREIGN OFFICES:** Banks of any size that have any "foreign" offices (as defined below) must file quarterly the [Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices \(FFIEC 031\)](#). For purposes of these reports, all of the following constitute "foreign" offices:

- (a) An International Banking Facility (IBF);
- (b) A branch or consolidated subsidiary in a foreign country; and
- (c) A majority-owned Edge or Agreement subsidiary.

In addition, for banks chartered and headquartered in the 50 states of the United States and the District of Columbia, a branch or consolidated subsidiary in Puerto Rico or a U.S. territory or possession is a "foreign" office. However, for purposes of these reports, a branch at a U.S. military facility located in a foreign country is a "domestic" office.

(2) **BANKS WITHOUT FOREIGN OFFICES:** Banks that have domestic offices only must file quarterly:

- (a) The [Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices \(FFIEC 031\)](#) if the bank:
 - (i) Is an ~~advanced approaches~~ institutions subject to the expanded risk-based approach for regulatory capital purposes,¹ regardless of asset size; or

¹ An ~~advanced approaches~~ institution subject to the expanded risk-based approach as defined in the federal supervisor's regulatory capital rules is (i) a subsidiary of a global systemically important bank holding company, as identified pursuant to [12 CFR 217.402](#); (ii) a Category II institution; ~~(iii) a Category III institution; (iv) a Category IV institution, each as defined under section 2 of the banking agencies regulatory capital rule~~ (iii) a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 324 (FDIC) to calculate its risk-based capital requirements; (iv) a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to subpart E of 12 CFR part 217 to calculate its risk-based capital requirements; or (v) an institution that elects to use the advanced approaches to calculate its risk-based capital requirements.

Category II institutions include institutions that have (1) at least \$700 billion in total consolidated assets or (2) at least \$75 billion in cross-jurisdictional activity and at least \$100 billion in total consolidated assets. In addition,

depository institution subsidiaries of Category II institutions are considered Category II institutions.

Category III institutions include institutions that have (1) at least \$250 billion in total consolidated assets or (2) at least \$100 billion in total consolidated assets and at least \$75 billion in total nonbank assets, weighted short-term wholesale funding, or off-balance sheet exposure. In addition, depository institution subsidiaries of Category III institutions are considered Category III institutions.

Category IV institutions include institutions that have at least \$100 billion in total consolidated assets. In addition, depository institution subsidiaries of Category IV institutions are considered Category IV institutions.

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- (ii) Has total consolidated assets of \$100 billion or more,¹ ~~including a bank of this size that is subject to Category III capital standards²;~~
- (b) The [Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only \(FFIEC 041\)](#) if the bank has total consolidated assets less than \$100 billion, ~~including a bank of this size that is subject to Category III capital standards, but~~ excluding a bank of this size that is ~~an advanced approaches~~ subject to the expanded risk-based approach for regulatory capital purposes institution; or
- (c) The [Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than \\$5 Billion \(FFIEC 051\)](#) subject to the eligibility criteria discussed below,

as appropriate to the reporting institution. An institution eligible to file the [FFIEC 051](#) report may choose instead to file the [FFIEC 041](#) report.

For banks chartered and headquartered in Puerto Rico or a U.S. territory or possession, a branch or consolidated subsidiary in one of the 50 states of the United States, the District of Columbia, Puerto Rico, or a U.S. territory or possession is a "domestic" office.

For those institutions filing the [FFIEC 051](#), a separate instruction book covers this report form. Please refer to this separate instruction book for the General Instructions for the [FFIEC 051](#) report form.

Eligibility to File the FFIEC 051

Institutions with domestic offices only and total assets less than \$5 billion, excluding (1) those that are ~~advanced approaches institutions or are~~ subject to the expanded risk-based approach ~~Category III capital standards~~ for regulatory capital purposes and (2) those that are large or highly complex institutions for deposit insurance assessment purposes,³ are eligible to file the [FFIEC 051](#) Call Report. An institution's total assets are measured as of June 30 each year to determine the institution's eligibility to file the [FFIEC 051](#) beginning in March of the following year. Institutions are expected to file the same report form, either the [FFIEC 051](#) or the [FFIEC 041](#), for each quarterly report date in a given year.

For an institution otherwise eligible to file the [FFIEC 051](#), the institution's primary federal regulatory agency, jointly with the state chartering authority, if applicable, may require the institution to file the [FFIEC 041](#) instead based on supervisory needs. In making this determination, the appropriate agency may consider criteria including, but not limited to, whether the eligible institution is significantly engaged in one or more complex, specialized, or other higher risk activities, such as those for which limited information is reported in the [FFIEC 051](#) compared to the [FFIEC 041](#) (trading; derivatives; mortgage banking; fair value option usage; servicing, securitization, and asset sales; and variable interest entities). The agencies anticipate making such determinations only in a limited number of cases.

Close of Business

The term "close of business" refers to the time established by the reporting bank as the cut-off time for receipt of work for posting transactions to its general ledger accounts for that day. The time designated as the close of business should be reasonable and applied consistently. The posting of a transaction to the general ledger means that both debit and credit entries are recorded as of the same date. In addition, entries made to general ledger accounts in the period subsequent to the close of business on the report date that are applicable to the period covered by the Call Report (e.g., adjustments of accruals, posting of

¹ The \$100 billion asset-size test is based on the total assets reported as of June 30 each year to determine whether the institution must file the FFIEC 031 report form beginning in March of the following year.

² ~~Category III institutions include institutions, which are not advanced approaches institutions, that have (1) at least \$250 billion in average total consolidated assets or (2) at least \$100 billion in average total consolidated assets and at least \$75 billion in average total nonbank assets, average weighted short term wholesale funding, or average off-balance sheet exposure. In addition, depository institution subsidiaries of Category III institutions are considered Category III institutions.~~

- (4) On the FFIEC 031 report only, banks that reported total trading assets of \$10 million or more for any quarter of the preceding calendar year must provide a breakdown of their trading revenue by risk exposure in Schedule RI, Memorandum items 8.a through 8.e. In addition, on the FFIEC 031 report only, banks with \$100 billion or more in total assets that are required to complete Memorandum items 8.a through 8.e must report the impact on trading revenue of certain changes in creditworthiness in Schedule RI, Memorandum items 8.f through 8.h.
- (5) Banks that reported in Schedule RC-M, item 16.b, that they provided more than 100 international remittance transfers in the previous calendar year or that they estimate that they will provide more than 100 international remittance transfers in the current calendar year must report certain additional information on their international remittance transfer activities during specified periods in Schedule RC-M, items 16.c and 16.d.
- (6) Banks at which (a) closed-end and open-end first lien and junior lien 1-4 family residential mortgage loan originations and purchases for resale from all sources during a calendar quarter, or (b) closed-end and open-end first lien and junior lien 1-4 family residential mortgage loan sales during a calendar quarter, or (c) closed-end and open-end first lien and junior lien 1-4 family residential mortgage loans held for sale at calendar quarter-end exceed \$10 million for two consecutive quarters must complete Schedule RC-P, 1-4 Family Residential Mortgage Banking Activities, beginning the second quarter and continue to complete the schedule through the end of the calendar year.
- (7) Banks that have elected to report financial instruments or servicing assets and liabilities at fair value under a fair value option with changes in fair value recognized in earnings or are required to complete Schedule RC-D, Trading Assets and Liabilities, must complete Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis.
- (8) Banks that are ~~subject to the expanded risk-based approach advanced approaches institutions or are subject to Category III capital standards~~, as defined in the agencies' regulatory capital rules, must complete certain additional items in Schedule RC-R, Regulatory Capital.
- (9) Banks servicing more than \$10 million in financial assets other than closed-end 1-4 family residential mortgages must report the volume of such servicing in Schedule RC-S, Memorandum item 2.c.
- (10) Banks with total fiduciary assets greater than \$250 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must report information on their fiduciary and related services income in Schedule RC-T. In addition, banks with total fiduciary assets greater than \$100 million (as of the preceding December 31) or that meet the fiduciary income test for the preceding calendar year must report information on fiduciary settlements and losses in Schedule RC-T.
- (11) Banks with collective investment funds and common trust funds with a total market value of \$1 billion or more as of the preceding December 31 must report a breakdown of these funds by type of fund in Schedule RC-T, Memorandum items 3.a through 3.g, quarterly or annually, as appropriate.
- (12) Banks that are "large institutions" or "highly complex institutions," [as defined for deposit insurance assessment purposes in the FDIC's regulations](#), which generally are banks that report total assets of \$10 billion or more for four consecutive quarters, must report additional data in Schedule RC-O, Memorandum items 6 through 18.

In addition, within the [FFIEC 031](#) report form, banks with total foreign office assets of \$10 billion or more whose foreign office assets, revenues, or net income account for more than 10 percent of the bank's consolidated total assets, total revenues, or net income must complete Schedule RI-D, Income from Foreign Offices.

reporting the data items to which the threshold applies in the quarter after the four consecutive quarters in which its total assets, agricultural loans, or credit card lines have fallen below the applicable threshold. However, if the institution exceeds the threshold as of a subsequent June 30 report date, the data items would again be required to be reported in March of the following year.

For example, if June 30, 2019, is the first June 30 as of which an institution reports \$10 billion or more in total assets, the institution must begin reporting the data items to which the \$10 billion total assets threshold applies as of the March 31, 2020, report date. If the institution reports less than \$10 billion in total assets each quarter-end from September 30, 2019, through June 30, 2020, it may cease reporting the data items applicable to institutions with \$10 billion or more in total assets beginning September 30, 2020. In contrast, if instead the institution reports \$10 billion or more in total assets as of September 30 and December 31, 2019, but then reports less than \$10 billion in total assets each quarter-end from March 31, 2020, through December 31, 2020, it may cease reporting the data items applicable to institutions with \$10 billion or more in total assets beginning March 31, 2021.

Other shifts in reporting status occur when:

- (1) A bank with domestic offices only establishes or acquires any "foreign" office. The bank must begin filing the [FFIEC 031](#) report form (Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices) for the first quarterly report date following the commencement of operations by the "foreign" office. However, a bank with "foreign" offices that divests itself of *all* its "foreign" offices must continue filing the [FFIEC 031](#) report form through the end of the calendar year in which the cessation of all operations of its "foreign" offices was completed.
- (2) An institution is involved in a business combination, a transaction between entities under common control, or a branch acquisition that is not a business combination. Beginning with the first quarterly report date following the effective date of such a transaction involving an institution and one or more other depository institutions, the resulting institution, regardless of its size prior to the transaction, must (a) file the FFIEC 031 report form if it acquires any "foreign" office or has total consolidated assets of \$100 billion or more, and (b) report the additional required information described above on the FFIEC 031 report form or the FFIEC 041 report form, as appropriate, if, after the consummation of the transaction, its consolidated total assets surpass the total asset thresholds, it exceeds the credit card lines threshold, or on the FFIEC 041 report form, it exceeds the agricultural loan percentage.
- (3) An institution that files the [FFIEC 051](#) report form becomes an ~~advanced approaches institution~~ ~~institution subject to the expanded risk-based approach~~ for regulatory capital purposes. The institution must begin filing the [FFIEC 031](#) report form for the first quarterly report date after the date it becomes such an institution.
- (4) An institution that files the [FFIEC 051](#) report form becomes ~~a Category III institution for regulatory capital purposes or~~ a large or highly complex institution for deposit insurance assessment purposes. The institution must begin filing the [FFIEC 041](#) report form for the first quarterly report date after the date it becomes such an institution (unless it establishes or acquires a "foreign office" in the same quarter that it becomes such an institution, in which case the institution must begin filing the [FFIEC 031](#) report form for that first quarterly report date).

In addition, beginning with the first quarterly report date after an operating depository institution that was not previously a member of the Federal Deposit Insurance Corporation (FDIC) becomes an FDIC-insured institution, it must file (a) the [FFIEC 031](#) report form if it has any "foreign" office or has total consolidated assets of \$100 billion or more at the time it becomes FDIC-insured, (b) the [FFIEC 041](#) report form if it has total consolidated assets of less than \$100 billion at the time it becomes FDIC-insured, including the additional required information described above on the [FFIEC 041](#) report form based on its total assets, credit card lines, and agricultural loans at the time it becomes FDIC-insured, or (c) the [FFIEC 051](#) report form if it is eligible to, and chooses to, file this report form, including certain additional required information based on its total assets and agricultural loans at the time it becomes FDIC-insured.

SCHEDULE RC-R – REGULATORY CAPITAL

General Instructions for Schedule RC-R

The instructions for Schedule RC-R should be read in conjunction with the regulatory capital rules issued by the primary federal supervisory authority of the reporting bank or saving association (collectively, banks): for national banks and federal savings associations, [12 CFR Part 3](#); for state member banks, [12 CFR Part 217](#); and for state nonmember banks and state savings associations, [12 CFR Part 324](#).

Part I. Regulatory Capital Components and Ratios

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General Instructions for Schedule RC-R, Part I.

In the FFIEC 031, Schedule RC-R, Part I, has two columns for items 11 through 19. Items 11 through 19 in column A are to be completed by ~~non-advanced approaches institutions~~ institutions that are not subject to the expanded risk-based approach. ~~(including institutions subject to Category III capital standards¹)~~ and items ~~Items~~ 11 through 19 in column B are to be completed by advanced approaches institutions ~~institutions subject to the expanded risk-based approach.~~²⁻¹

In the FFIEC 041, Schedule RC-R, Part I, has only one column for items 11 through 19 because ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach are required to complete the FFIEC 031.

Community Bank Leverage Ratio Framework

Opting into the Community Bank Leverage Ratio (CBLR) Framework – A qualifying institution may opt into the CBLR framework. A qualifying institution opts into and out of the framework through its reporting in Call Report Schedule RC-R. A qualifying institution that opts into the CBLR framework (CBLR electing institution) must complete Schedule RC-R, Part I, items 1 through 37, and, if applicable, items 38.a through 38.c, and can make that election on Schedule RC-R, Part I, item 31.a. A qualifying institution can opt out of the CBLR framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c. However, an otherwise qualifying institution's primary federal supervisory authority may disallow the institution's use of the CBLR framework based on the supervisory authority's evaluation of the risk profile of the institution.

~~On April 23, 2020, the federal banking agencies published two interim final rules to provide temporary relief to community banking organizations with respect to the CBLR framework, and the final rule became effective November 9, 2020 with no changes to the interim final rules. The final rule 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 final rule.~~

A qualifying institution with a leverage ratio that exceeds the applicable leverage ratio requirement and opts into the CBLR framework shall be considered to have met: (i) the generally applicable risk-based and leverage capital requirements in the agencies' capital rules; (ii) the capital ratio requirements to be considered well capitalized under the agencies' prompt corrective action (PCA) framework (in the case of insured depository institutions); and (iii) any other applicable capital or leverage requirements.³²

~~¹ Category III institutions include institutions, which are not advanced approaches institutions, that have (1) at least \$250 billion in average total consolidated assets or (2) at least \$100 billion in average total consolidated assets and at least \$75 billion in average total nonbank assets, average weighted short-term wholesale funding; or average off-balance sheet exposure. In addition, depository institution subsidiaries of Category III institutions are considered Category III institutions.~~

~~²¹ An institution that is subject to the expanded risk-based approaches ~~advanced approaches~~ capital rule ~~(i.e., an advanced approaches institution as defined in the federal banking agencies' regulatory capital rules)~~ is (i) a subsidiary of a global systemically important bank holding company, as identified pursuant to 12 CFR 217.402; (ii) a Category II institution; ~~-(iii) a Category III institution; or (iv) a Category IV institution~~ a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 324 (FDIC) to calculate its risk-based capital requirements; (iv) a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to subpart E of 12 CFR part 217 to calculate its risk-based capital requirements; or (v) an institution that elects to use the advanced approaches to calculate its risk-based capital requirements.~~

~~Category II institutions include institutions with (1) at least \$700 billion in total consolidated assets or (2) at least \$75 billion in cross-jurisdictional activity and at least \$100 billion in total consolidated assets. In addition, depository institution subsidiaries of Category II institutions are considered Category II institutions. Category III institutions include institutions, that have (1) at least \$250 billion in total consolidated assets or (2) at least \$100 billion in total consolidated assets and at least \$75 billion in total nonbank assets, weighted short-term wholesale funding; or exposure. In addition, depository institution subsidiaries of Category III institutions are~~

~~considered Category III institutions.~~ In addition, depository institution subsidiaries of Category III institutions are considered Category III institutions.

Category IV institutions include institutions, that have at least \$100 billion in total consolidated. In addition, depository institution subsidiaries of Category IV institutions are considered Category VI institutions.

^{3.2} See 12 CFR 3 (OCC); 12 CFR 217 (Board); 12 CFR 324 (FDIC).

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General Instructions for Schedule RC-R, Part I. (cont.)

~~Transition Provisions—Under the provisions of the transition interim final rule, an institution may qualify for the CBLR framework if its leverage ratio is greater than 8.5 percent in calendar year 2021, and greater than 9 percent in calendar year 2022 and thereafter, and it meets the qualifying criteria: it has less than \$10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); is not part of an advanced approaches banking organization; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancellable commitments) of 25 percent or less of total consolidated assets (Schedule RC-R, Part I, item 34). Also, the two-quarter grace period for a qualifying institution 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, an institution'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

Calendar Year	Community Bank Leverage Ratio (percent)	Minimum Leverage Ratio under the applicable grace period (percent)
2021	≥ 8.5	≥ 7.5
2022	≥ 9.0	≥ 8.0

~~Community Bank Leverage Ratio (CBLR) Framework in Calendar Year 2022 and Thereafter—In general, an institution may qualify for the CBLR framework if it has a leverage ratio greater than 9 percent (as reported in Schedule RC-R, Part I, item 31); has less than \$10 billion in total consolidated assets (Schedule RC-R, Part I, item 32); ~~is not an advanced approaches institution;~~ has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule RC-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 RC-R, Part I, item 34).~~

Ceasing to Meet the Leverage Ratio Requirement under the CBLR Framework or Failing to Meet Any of the Other CBLR Qualifying Criteria – A qualifying institution that temporarily fails to meet any of the qualifying criteria, including the applicable leverage ratio requirement, generally would still be deemed well-capitalized so long as the institution 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 institution must meet all qualifying criteria to remain in the CBLR framework or otherwise must apply and report under the generally applicable capital rule. Similarly, an institution 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 RC-R, Parts I and II, as applicable, excluding Schedule RC-R, Part I, items 32 through 38.c.

Under the CBLR framework, the grace period will begin as of the end of the calendar quarter in which the CBLR electing institution ceases to satisfy any of the qualifying criteria and has a maximum period of two consecutive calendar quarters. For example, if the CBLR electing institution 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 the criteria as of the end of that quarter, the grace period for such an institution will begin as of the end of the quarter ending June 30, 2020.

The institution 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 Schedule RC-R reporting requirements) as of December 31, 2020, unless the institution once again meets all qualifying criteria of the CBLR framework, including the leverage ratio requirement qualifying criterion, before that time.

General Instructions for Schedule RC-R, Part I. (cont.)

General Instructions for Schedule RC-R, Part I. (cont.)

For the first 8 quarters after the start of its transition period, an institution is permitted to make an adjustment of 100 percent of the transitional items calculated below for each quarter in which the institution applies CECL. Beginning with the ninth quarter of the transition period, the institution phases out the cumulative adjustment as calculated at the end of the eighth quarter (i.e., the first two 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 three); 50 percent adjustment in quarters 13-16 (i.e., Year four); and 25 percent adjustment in quarters 17-20 (i.e., Year five).

Definitions – Institutions that elect either the 3-year CECL transition provision or the 5-year 2020 CECL transition provision must calculate the following amounts, as applicable. AACL refers to Adjusted Allowances for Credit Losses and ALLL refers to the Allowance for Loan and Lease Losses, both as defined in the regulatory capital rule (12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC)).

- CECL transitional amount means the difference, net of any deferred tax assets (DTAs), in the amount of an institution's retained earnings as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's retained earnings as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.
- DTA transitional amount means the difference in the amount of an institution's DTAs arising from temporary differences as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.
- AACL transitional amount means the difference in the amount of an institution's AACL as of the beginning of the fiscal year in which the institution adopts CECL and the amount of the institution's ALLL as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.
- ~~Eligible credit reserves transitional amount means the difference in the amount of an advanced approaches institution's eligible credit reserves as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution's eligible credit reserves as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.~~

In addition, institutions that elect the 5-year 2020 CECL transition provision must calculate the following amounts:

- 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 Call Report, and the AACL as of the beginning of the fiscal year in which the institution 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 Call 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 institution 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 Call Report, and the AACL as of the beginning of the fiscal year in which the institution 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 Call 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 institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount.

General Instructions for Schedule RC-R, Part I. (cont.)

~~A 3-year or 5-year CECL electing advanced approaches institution (1) that has completed the parallel run process and has received notification from its primary federal regulator pursuant to section 121(d) under subpart E of the regulatory capital rules, (2) whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and (3) would have an increase in common equity tier 1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount or modified CECL transitional amount, as applicable, must decrease its CECL transitional amount or modified CECL transitional amount, as applicable, by its DTA transitional amount.~~

Example and a Worksheet Calculation for the 3-year CECL Transition ProvisionAssumptions:

- For example, consider an institution that elects to apply the 3-year CECL transition and has a CECL effective date of January 1, 2020, and a 21 percent tax rate.
- On the closing balance sheet date immediately prior to adopting CECL (i.e., December 31, 2019), the 3-year CECL electing institution has \$10 million in retained earnings and \$1 million in the allowance for loan and lease losses. On the opening balance sheet date immediately after adopting CECL (i.e., January 1, 2020), the 3-year CECL electing institution has \$1.2 million in allowances for credit losses (ACL), which also equals \$1.2 million of AACL, as defined in the regulatory capital rules.
- The 3-year CECL electing institution recognizes the effect of the adoption of CECL as of January 1, 2020, by recording an increase in its ACL of \$200,000 (credit), with an offsetting increase in temporary difference DTAs of \$42,000 (debit) and a reduction in beginning retained earnings of \$158,000 (debit)
- For each of the quarterly reporting periods in year 1 of the transition period (i.e., 2020), the 3-year CECL electing institution increases both retained earnings and average total consolidated assets by \$118,500 (\$158,000 x 75 percent), decreases temporary difference DTAs by \$31,500 (\$42,000 x 75 percent), and decreases AACL by \$150,000 (\$200,000 x 75 percent) for purposes of calculating its regulatory capital ratios. The remainder of the 3-year CECL transition provision of the 3-year CECL electing institution is transitioned into regulatory capital according to the schedule provided in Table 2 below.

Table 2 – Example of a 3-Year CECL Transition Provision Schedule

Dollar Amounts in Thousands	Transitional Amounts Column A	Transitional Amounts Applicable During Each Year of the 3-Year Transition Period		
		Year 1 at 75% Column B	Year 2 at 50% Column C	Year 3 at 25% Column D
1. Increase retained earnings and average total consolidated assets by the CECL transitional amount	CECL transitional amount = \$158	\$118.50	\$79	\$39.50
2. Decrease temporary difference DTAs by the DTA transitional amount	DTA transitional amount = \$42	\$31.50	\$21	\$10.50
3. Decrease AACL by the AACL transitional amount	AACL transitional amount = \$200	\$150	\$100	\$50

General Instructions for Schedule RC-R, Part I. (cont.)**Example of Application of the 5-Year CECL Transition Provision for Third Quarter 2020**

As an example, assume an institution is required under U.S. GAAP to adopt CECL on January 1, 2020. This institution chose not to delay adoption of CECL for Call Report purposes under the provisions of Section 4014 of the CARES Act, and elected to use the 5-year 2020 CECL transition provision in the March 31, 2020, Call Report. This institution's 5-year 2020 CECL transition period begins on January 1, 2020.

The institution's December 31, 2019, Call Report reflected the following amounts:

- ALLL: \$120
- Temporary Difference DTAs: \$20
- Retained earnings: \$200
- ~~Eligible credit reserves (advanced approaches institutions only): \$110~~

On January 1, 2020, the institution 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 institutions only): \$140~~
- ~~Eligible credit reserves transitional amount (advanced approaches institutions only) = $\$140 - \$110 = \$30$~~
- ~~(Eligible credit reserves on 1/1/20 – eligible credit reserves on 12/31/19)~~

On September 30, 2020, the institution 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 institution would adjust the following items in its September 30, 2020, Call Report, Schedule RC-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)

An institution that is not electing the CBLR framework in its September 30, 2020, Call Report, would make these additional Schedule RC-R adjustments:

- Part I, Item 42 (Allowances in tier 2 capital): Subtract \$35 (modified AACL transitional amount)
- Part II, Item 8 (All other assets): Subtract \$10 (DTA transitional amount)

General Instructions for Schedule RC-R, Part I. (cont.)

An institution subject to the supplementary leverage ratio (~~advanced approaches and Category III institutions~~) would make this additional Schedule RC-R adjustment in its September 30, 2020, Call Report:

- Part I, Item 55.a (Total leverage exposure for SLR): Add \$25 (modified CECL transitional amount)

~~An institution subject to the advanced approaches capital rule that has exited parallel run would make this additional Schedule RC-R adjustment in its September 30, 2020, Call Report:~~

- ~~Part I, Item 42.b (Eligible credit reserves): Deduct \$30 (eligible credit reserves transitional amount)~~

Advanced Approaches Institutions~~Institutions subject to the expanded risk-based approach:~~

~~Advanced approaches institutions~~Institutions subject to the expanded risk-based approach may use the amounts reported in Schedule RC-R, Part I, to complete the FFIEC 101, Schedule A, as applicable. As described in the General Instructions for the FFIEC 101, an institution must begin reporting on the FFIEC 101, ~~Schedule A, except for a few specific line items,~~ at the end of the quarter after the quarter in which the institution triggers one of the threshold criteria for applying the expanded risk-based capital approach ~~advanced approaches rule or elects to use the advanced approaches rule (an opt-in institution),¹ and it must begin reporting data on the remaining schedules of the FFIEC 101 at the end of the first quarter in which it has begun its parallel run period.~~

~~Advanced approaches institutions~~Institutions subject to the expanded risk-based approach must continue to file Schedule RC-R, Regulatory Capital, as well as the FFIEC 101.

¹~~An institution is deemed to have elected to use the advanced approaches rule on the date that its primary federal supervisor receives from the institution a board-approved implementation plan pursuant to section 121(b)(2) of the regulatory capital rules. After that date, in addition to being required to report on the FFIEC 101, Schedule A, the institution may no longer apply the AOCI opt-out election in section 22(b)(2) of the regulatory capital rules and it becomes subject to the supplementary leverage ratio in section 10(c)(4) of the rules.~~

Item Instructions for Schedule RC-R, Part I.**Item No. Caption and Instructions****Common Equity Tier 1 Capital**

- 1** **Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares.** Report the sum of Schedule RC, items 24, 25, and 26.c, as follows:
- (1) Common stock: Report the amount of common stock reported in Schedule RC, item 24, provided it meets the criteria for common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Include capital instruments issued by mutual banking organizations that meet the criteria for common equity tier 1 capital.
 - (2) Related surplus: Adjust the amount reported in Schedule RC, item 25 as follows: include the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date; exclude adjustments arising from treasury stock transactions.
 - (3) Treasury stock, unearned ESOP shares, and any other contra-equity components: Report the amount of contra-equity components reported in Schedule RC, item 26.c. Because contra-equity components reduce equity capital, the amount reported in Schedule RC, item 26.c, is a negative amount.
- 2** **Retained earnings.** Report the amount of the institution's retained earnings as reported in Schedule RC, item 26.a.

An institution that has adopted FASB [Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should also include in this item its applicable CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution should increase retained earnings by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period.

An institution that has adopted ASU 2016-13, and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should also include in this item its applicable modified CECL transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should increase retained earnings by 100 percent of its modified CECL transitional amount during the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period.

~~A 3-year or 5-year CECL electing advanced approaches institution (1) that has completed the parallel run process and has received notification from its primary federal regulator pursuant to section 121(d) under subpart E of the regulatory capital rules, (2) whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and (3) would have an increase in CET1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount or modified CECL transitional amount, as applicable must decrease its CECL transitional amount or modified CECL transitional amount, as applicable by its DTA transitional amount.~~

Part I. (cont.)**Item No. Caption and Instructions**

2.a
(cont.) Each institution should complete item 2.a beginning in the quarter that it first reports its credit loss allowances in the Call Report as measured under CECL and in each subsequent Call Report thereafter until item 2.a is removed from the report. Effective December 31, 2026, item 2.a will be removed from Schedule RC-R, Part I, because the optional 3-year and 5-year 2020 transition periods will have ended for all CECL electing institutions. If an individual CECL electing institution's 3-year or 5-year transition period ends before item 2.a is removed (e.g., its transition period ends December 31, 2022), the institution would report "0" in item 2.a to indicate that it no longer has a CECL transition election in effect.

3 **Accumulated other comprehensive income (AOCI).** Report the amount of AOCI as reported under U.S. generally accepted accounting principles (GAAP) that is included in Schedule RC, item 26.b.

3.a **AOCI opt-out election.**

(i) All institutions, except ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach

An institution that is not ~~subject to the expanded risk-based approach~~ ~~an advanced approaches institution~~ may make a one-time election to become subject to the AOCI-related adjustments in Schedule RC-R, Part I, items 9.a through 9.e. That is, such an institution may opt out of the requirement to include most components of AOCI in common equity tier 1 capital (with the exception of accumulated net gains and losses on cash flow hedges related to items that are not recognized at fair value on the balance sheet). An institution that makes an AOCI opt-out election must enter "1" for "Yes" in this item 3.a.

Each eligible institution (~~except an advanced approaches institution~~) in existence as of March 31, 2015, made its AOCI opt-out election on the institution's March 31, 2015, Call Report. For an institution that comes into existence after March 31, 2015, ~~or becomes a non-advanced approaches institution~~ and is not subject to the expanded risk-based approach, the institution must make its AOCI opt-out election in the first Call Report the institution files after the occurrence of this event. After an institution initially makes its AOCI opt-out election, the institution must report its election in each quarterly Call Report thereafter. Each of the institution's depository institution subsidiaries, if any, must elect the same option as the institution. With prior notice to its primary federal supervisor, an institution resulting from a merger, acquisition, or purchase transaction may make a new AOCI opt-out election, as described in section 22(b)(2) of the regulatory capital rules.

(ii) Institutions that do not make an AOCI opt-out election and all institutions subject to the expanded risk-based approach ~~advanced approaches institutions~~

An institution that does not make an AOCI opt-out election ~~and or is subject to Category I or Category II standards~~ must enter "0" for "No" in this item 3.a and ~~all advanced approaches institutions are is~~ subject to the AOCI-related adjustment in Schedule RC-R, Part I, item 9.f.

FFIEC 031 Only: During the applicable transition periods under section 300(a) of the regulatory capital rule, an institution subject to Category III or Category IV standards that had previously made the one-time AOCI opt-out election, must enter "2" for "Phase-out" in this item 3.a on the FFIEC 031 and report the AOCI-related adjustments in Schedule RC-R, Part I, items 9.a and 9.c through 9.e, adjusted by the transition percentages described in section 300(a) and the instructions for line item 9.

4 **Common equity tier 1 minority interest includable in common equity tier 1 capital.**
Report the aggregate amount of common equity tier 1 minority interest, calculated as described below and in section 21 of the regulatory capital rules. Common equity tier 1

Part I. (cont.)

Item No. Caption and Instructions

4 (i) ~~All institutions, except advanced approaches institutions~~ ***institutions subject to the expanded risk-based approach:***

(cont.) In order to complete this item 4, institutions need to complete items 6 to 10 of Schedule RC-R, Part I. ~~Non-advanced approaches institutions~~ ***Institutions not subject to the expanded risk-based approach*** -are able to include common equity tier 1 minority interest up to 10 percent of the parent banking organization’s common equity tier 1 capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the regulatory capital rules.

Example and a worksheet calculation for all institutions, except advanced approaches institutions institutions subject to the expanded risk-based approach: Calculate common equity tier 1 minority interest includable at the reporting institution’s level as follows:

Assumptions:

- The parent banking organization’s common equity tier 1 capital is \$100, it has two subsidiaries (subsidiary A and subsidiary B), and it has \$10 of common equity tier 1 capital adjustments and deductions;
- Subsidiary A has \$7 of common equity tier 1 minority interest (that is, owned by minority shareholders).
- Subsidiary B has \$5 of common equity tier 1 minority interest (that is, owned by minority shareholders).

(1)	Common Equity Tier 1 Capital Elements Before Minority Interest and Adjustments and Deductions = Schedule RC-R, Part I, sum of items 1, 2, and 3	\$100
(2)	Common Equity Tier 1 Capital: Adjustments and Deductions = Schedule RC-R, Part I, sum of items 6, 7, 8, 9.a through 9.f, 10.a, and 10.b	\$10
(3)	Subtract the amount in step (2) from the amount in step (1). This is the base to calculate the 10 percent limitation.	$\$100 - \$10 = \$90$
(4)	Multiply step (3) by 10 percent. This is the maximum includable common equity tier 1 minority interest from all subsidiaries.	$\$90 \times 10\% = \9
(5)	Determine the lower of (4) and the total common equity tier 1 minority interest from all subsidiaries. This is the “common equity tier 1 minority interest includable at the reporting institution’s level” to be included in Schedule RC-R, Part I, item 4.	<i>Minimum of (\$9 from Step 4 or \$12 (\$7+\$5) from the assumptions) = \$9</i>

Part I. (cont.)

Item No. Caption and Instructions

4 ~~(ii) Advanced approaches institutions~~ **Institutions subject to the expanded risk-based approach:**

(cont.) In general, the minority interest limitation applies only if a subsidiary has a surplus common equity tier 1 capital (that is, in excess of the subsidiary’s minimum capital requirements and the applicable capital conservation buffer).

Example and a worksheet calculation for ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach: For each consolidated subsidiary that is a depository institution or a foreign bank, calculate common equity tier 1 minority interest includable at the reporting institution’s level as follows:

Assumptions:

- For this example, assume that risk-weighted assets of the consolidated subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary (\$1,000);
- The subsidiary’s common equity tier 1 capital is \$80;
- The subsidiary’s common equity tier 1 minority interest (that is, owned by minority shareholders) is \$24.

(1)	Determine the risk-weighted assets of the subsidiary.	\$1,000
(2)	Using the standardized approach, determine the risk-weighted assets of the reporting institution that relate to the subsidiary depository institution. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	\$1,000
(3)	Determine the lower of (1) or (2), and multiply that amount by 7.0 percent. ¹	\$1,000 x 7% = \$70
(4)	Determine the dollar amount of the subsidiary’s common equity tier 1 capital (assumed \$80 in this example). If this amount is less than step (3), include common equity tier 1 minority interest (assumed to be \$24 in this example) in Schedule RC-R, Part I, item 4. Otherwise, continue to step (5).	\$80
(5)	Subtract the amount in step (3) from the amount in step (4). This is the “surplus common equity tier 1 capital of the subsidiary.”	\$80 - \$70 = \$10
(6)	Determine the percent of the subsidiary’s common equity tier 1 capital owned by third parties (the minority shareholders).	\$24/\$80 = 30%
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the “surplus common equity tier 1 minority interest of the subsidiary,” subject to the transition provisions below.	30% x \$10 = \$3
(8)	Subtract the amount in step (7) from the subsidiary’s common equity tier 1 minority interest.	\$24 - \$3 = \$21
(9)	This is the “common equity tier 1 minority interest includable at the reporting institution’s level” to be included in Schedule RC-R, Part I, item 4, for this subsidiary.	\$21

5 **Common equity tier 1 capital before adjustments and deductions.** Report the sum of Schedule RC-R, Part I, items 1, 2, 3, and 4.

¹ The percentage multiplier in step (3) is the capital ratio necessary for the depository institution to avoid restrictions on distributions and discretionary bonus payments. ~~Advanced approaches institutions~~ **Institutions subject to the expanded risk-based approach** must adjust this percentage to account for all the applicable capital buffers.

Part I. (cont.)**General Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions (cont.)**

An institution may offset DTLs embedded in the carrying value of a leveraged lease portfolio acquired in a business combination (whether accounted for under ASC Topic 840, Leases, or grandfathered and accounted for under ASC Topic 842, Leases, as applicable) that are not recognized under GAAP against DTAs that are subject to section 22(d) of the regulatory capital rules in accordance with section 22(e).

An institution must net DTLs against assets subject to deduction in a consistent manner from reporting period to reporting period. An institution may change its DTL netting preference only after obtaining the prior written approval of the primary federal supervisor.

In addition, note that even though certain deductions may be net of associated DTLs, the risk-weighted portion of those items may not be reduced by the associated DTLs.

Item Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions**Item No. Caption and Instructions**

- 6** **LESS: Goodwill net of associated deferred tax liabilities (DTLs).** Report the amount of goodwill included in Schedule RC-M, item 2.b.

However, if the institution has a DTL that is specifically related to goodwill that it chooses to net against the goodwill, the amount of disallowed goodwill to be reported in this item should be reduced by the amount of the associated DTL.

If an institution subject to the expanded risk-based approach has significant investments in the capital of unconsolidated financial institutions in the form of common stock, the institution should report in this item goodwill embedded in the valuation of a significant investment in the capital of an unconsolidated financial institution in the form of common stock (embedded goodwill). Such deduction of embedded goodwill would apply to investments accounted for under the equity method. Under GAAP, if there is a difference between the initial cost basis of the investment and the amount of underlying equity in the net assets of the investee, the resulting difference should be accounted for as if the investee were a consolidated subsidiary (which may include imputed goodwill).

- 7** **LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs.** Report all intangible assets (other than goodwill and MSAs) included in Schedule RC-M, item 2.c, that do not qualify for inclusion in common equity tier 1 capital based on the regulatory capital rules of the institution's primary federal supervisor. Generally, all purchased credit card relationships (PCCRs), nonmortgage servicing assets, and all other intangibles reported in Schedule RC-M, item 2.c, do not qualify for inclusion in common equity tier 1 capital and should be included in this item.

However, if the institution has a DTL that is specifically related to an intangible asset (other than goodwill and MSAs) that it chooses to net against the intangible asset for regulatory capital purposes, the amount of disallowed intangibles to be reported in this item should be

Part I. (cont.)

Item No. Caption and Instructions

7 (cont.) reduced by the amount of the associated DTL. Furthermore, a DTL that the institution chooses to net against the related intangible reported in this item may not also be netted against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and DTAs that arise from temporary differences, net of any related valuation allowances, for regulatory capital purposes.

For state member banks, if the amount reported for other intangible assets in Schedule RC-M, item 2.c, includes intangible assets that were recorded on the reporting bank's balance sheet on or before February 19, 1992, the remaining book value as of the report date of these intangible assets may be excluded from this item.

8 **LESS: Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs.** Report the amount of DTAs that arise from net operating loss and tax credit carryforwards, net of associated valuation allowances and net of associated DTLs.

9 **AOCI-related adjustments.** ~~Institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, must complete Schedule RC-R, Part I, items 9.a and 9.c through 9.e, only.~~

Institutions that entered "0" for No in Schedule RC-R, Part I, item 3.a, must complete Schedule RC-R, Part I, item 9.f, only.

~~Institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, must complete Schedule RC-R, Part I, items 9.a and 9.c through 9.e, only.~~

~~**FFIEC 031 Only:** Category III and Category IV institutions subject to the transition provisions in section 300(a) of the regulatory capital rules that entered "2" for Phase-out in Schedule RC-R, Part I, item 3.a on the FFIEC 031, must complete Schedule RC-R, Part I, items 9.a and 9.c through 9.e only and report amounts adjusted for the percentages in the transition table below.~~

<u>Transition AOCI adjustment items 9.a and 9.c through 9.e only</u>	
<u>Transition period for reporting purposes</u>	<u>Percentage applicable to transition AOCI adjustment amounts</u>
<u>September 30, 2025, report date through June 30, 2026, report date.</u>	<u>75</u>
<u>September 30, 2026, report date through June 30, 2027, report date.</u>	<u>50</u>
<u>September 30, 2027, report date through June 30, 2028, report date.</u>	<u>25</u>
<u>September 30, 2028, report date and thereafter.</u>	<u>0</u>

9.a **LESS: Net unrealized gains (losses) on available-for-sale debt securities.** For institutions that entered "1" for Yes in Schedule RC-R, Part I, item 3.a, report the amount of net unrealized gains (losses) on available-for-sale debt securities, net of applicable income taxes, that is included in Schedule RC, item 26.b, "Accumulated other comprehensive

income.” If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

For such institutions, include in this item net unrealized gains (losses) on available-for-sale debt securities reported in Schedule RC-B, items 1 through 6.b, columns C and D, and on those assets not reported in Schedule RC-B, that the bank accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations).

FFIEC 031 only: Category III and Category IV institutions that entered “2” for Phase-out in Schedule RC-R, Part I, item 3.a, report an amount adjusted by the applicable percentage from the table above.

9.b Not applicable.

DRAFT

Part I. (cont.)**Item No. Caption and Instructions**

- 9.c LESS: Accumulated net gains (losses) on cash flow hedges.** Report the amount of accumulated net gains (losses) on cash flow hedges, net of applicable income taxes, that is included in Schedule RC, item 26.b, “Accumulated other comprehensive income.” The amount reported in Schedule RC-R, Part I, item 9.c, should include gains (losses) on cash flow hedges that are no longer effective but included in AOCI. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item. Category III and Category IV institutions that entered “2” for Phase-out in Schedule RC-R, Part I, item 3.a, report an amount adjusted by the applicable percentage from the table above.
- 9.d LESS: Amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans.** Report the amounts recorded in AOCI, net of applicable income taxes, and included in Schedule RC, item 26.b, “Accumulated other comprehensive income,” resulting from the initial and subsequent application of ASC Topic 715, Compensation–Retirement Benefits, to defined benefit postretirement plans (an institution may exclude the portion relating to pension assets deducted in Schedule RC-R, Part I, item 10.b). If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item. Category III and Category IV institutions that entered “2” for Phase-out in Schedule RC-R, Part I, item 3.a, report an amount adjusted by the applicable percentage from the table above.
- 9.e LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.** Report the amount of net unrealized gains (losses) on held-to-maturity securities that is not credit-related, net of applicable taxes, and is included in AOCI as reported in Schedule RC, item 26.b, “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value. Category III and Category IV institutions that entered “2” for Phase-out in Schedule RC-R, Part I, item 3.a, report an amount adjusted by the applicable percentage from the table above.

Include (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category, net of applicable income taxes, and (ii) the unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt Securities, net of applicable income taxes.

Part I. (cont.)**Item No. Caption and Instructions**

9.f To be completed only by institutions that entered “0” for No in in Schedule RC-R, Part I, item 3.a:

LESS: Accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet. Report the amount of accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relates to the hedging of items that are not recognized at fair value on the balance sheet. If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

10 Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:

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. Report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in the institution’s own credit risk. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Advanced approaches institutions**Institutions subject to the expanded risk-based approach only:** Include the credit spread premium over the risk-free rate for derivatives that are liabilities.

10.b LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions. Report the amount of all other deductions from (additions to) common equity tier 1 capital that are not included in Schedule RC-R, Part I, items 1 through 9, as described below.

(1) After-tax gain-on-sale in connection with a securitization exposure. Include any after-tax gain-on-sale in connection with a securitization exposure. Gain-on-sale means an increase in the equity capital of an institution resulting from a securitization (other than an increase in equity capital resulting from the institution’s receipt of cash in connection with the securitization or reporting of a mortgage servicing asset on Schedule RC).

(2) Defined benefit pension fund net asset, net of associated DTLs. An institution that is not an insured depository institution should include any defined benefit pension fund net asset. This amount may be net of any associated DTLs in accordance with section 22(e) of the capital rules.

(3) Investments in the institution’s own shares to the extent not excluded as part of treasury stock. Include the institution’s investments in (including any contractual obligation to purchase) its own common stock instruments, including direct, indirect, and synthetic exposures to such capital instruments (as defined in the regulatory capital rules), to the extent such capital instruments are not excluded as part of treasury stock, reported in Schedule RC-R, Part I, item 1.

If an institution already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital elements, it does not need to make such deduction twice.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty credit risk and all other criteria in section 22(h) of the regulatory capital rules are met.

Part I. (cont.)**Item No. Caption and Instructions**

10.b The institution must look through any holdings of index securities to deduct investments
(cont.) in its own capital instruments. In addition:

- (i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same underlying index;
- (ii) Short positions in index securities to hedge long cash or synthetic positions may be decomposed to recognize the hedge; and
- (iii) The portion of the index composed of the same underlying exposure that is being hedged may be used to offset the long position only if both the exposure being hedged and the short position in the index are covered positions under the market risk rule, and the hedge is deemed effective by the institution's internal control processes.

(4) Reciprocal cross-holdings in the capital of financial institutions in the form of common stock. Include investments in the capital of other financial institutions (in the form of common stock) that the institution holds reciprocally (this is the corresponding deduction approach). Such reciprocal crossholdings may result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

(5) Equity investments in financial subsidiaries. Include the aggregate amount of the institutions' outstanding equity investments, including retained earnings, in its financial subsidiaries (as defined in 12 CFR 5.39 (OCC); 12 CFR 208.77 (Board); and 12 CFR 362.17 (FDIC)). The assets and liabilities of financial subsidiaries may not be consolidated with those of the parent institution for regulatory capital purposes. No other deduction is required for these investments in the capital instruments of financial subsidiaries.

~~**(6) Advanced approaches institutions only that exit parallel run.**[†] Include the amount of expected credit loss that exceeds the institution's eligible credit reserves.~~

~~An advanced approaches institution that has exited parallel run, has adopted Accounting Standards Update No. 2016-13 (ASU 2016-13) on credit losses, and has elected to apply the 3-year CECL transition provision (3-year CECL electing advanced approaches institution) should decrease its eligible credit reserves by the applicable eligible credit reserves transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing advanced approaches institution should reduce the amount of its eligible credit reserves by 75 percent of its eligible credit reserves transitional amount during the first year of the transition period, 50 percent of its eligible credit reserves transitional amount during the second year of the transition period, and 25 percent of its eligible credit reserves transitional amount during the third year of the transition period.~~

[†]~~An advanced approaches institution that exits the parallel run is an advanced approaches institution that has completed the parallel run process and that has received notification from the primary federal supervisor pursuant to section 121(d) of subpart E of the regulatory capital rules.~~

Part I. (cont.)**Item No. Caption and Instructions**10.b
(cont.)

~~An advanced approaches institution that has exited parallel run, has adopted ASU 2016-13, and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing advanced approaches institution) should decrease its eligible credit reserves by the applicable eligible credit reserves transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing advanced approaches institution should reduce the amount of its eligible credit reserves by 100 percent of its eligible credit reserves transitional amount during the first and second years of the transition period, 75 percent of its eligible credit reserves transitional amount during the third year of the transition period, 50 percent of its eligible credit reserves transitional amount during the fourth year of the transition period, and 25 percent of its eligible credit reserves transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).~~

(76) Deductions for non-includable subsidiaries. A savings association that has a non-includable subsidiary must deduct its outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary in this item 10.b.

11 LESS: Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments.

~~(i) All non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach (column A on the FFIEC 031):

Not applicable. Proceed to Schedule RC-R, Part I, item 12, (column A on the FFIEC 031,) to complete the subtotal calculation.

~~(ii) All advanced approaches institutions~~ institutions subject to the expanded risk-based approach (column B on the FFIEC 031):

An institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution.

Report the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that, in the aggregate with covered debt instruments, as applicable,¹ exceed the 10 percent threshold for non-significant investments, calculated as described below.² The institution may apply associated DTLs to this deduction.

¹ Covered debt instrument is defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable.

² An institution may exclude covered debt instruments (as defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable) from the calculation of non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions. An institution subject to the **expanded risk-based approach** ~~advanced approaches rule~~ that is not a subsidiary of a global systemically important banking organization, as defined in 12 CFR 252.2, may exclude covered debt instruments up to an amount of 5 percent of the amount reported in Schedule RC-R, Part I, item 12, column B.

Part I. (cont.)

Item No. Caption and Instructions

11 *Example and a worksheet calculation for all **advanced approaches institutions** subject to the expanded risk-based approach:*
(cont.)

Assumptions:

- Assume that an institution has a total of \$200 in non-significant investments in the capital of unconsolidated financial institutions, of which \$100 is in common shares. For this example, all of the \$100 in common shares is in the common stock of a publicly traded financial institution.
- Assume the amount reported in Schedule RC-R, Part I, item 5, “Common equity tier 1 capital before adjustments and deductions,” is \$1,000.
- Assume the amounts reported in Schedule RC-R, Part I, items 6 through 9.f, are all \$0.

(1)	Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions (including in the form of common stock, additional tier 1 capital, tier 2 capital, and covered debt instruments, as applicable).	\$200
(2)	Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock.	\$100
(3)	Subtract from Schedule RC-R, Part I, item 5, the amounts in Schedule RC-R, Part I, items 6, 7, 8, 9, 10.a, and 10.b.	$\$1,000 - \$0 = \$1,000$
(4)	Multiply the amount in step (3) by 10 percent. This is “the ten percent threshold for non-significant investments.”	$\$1,000 \times 10\% = \100
(5)	If (1) is greater than (4), subtract (4) from (1) and multiply the result by the ratio of (2) divided by (1). Report this amount in this Schedule RC-R, Part I, item 11. If (1) is less than (4), enter zero in this item 11.	<i>Line (1) is greater than line (4); therefore, $\\$200 - \\$100 = \\$100$. Then $(\\$100 \times 100/200) = \\50. Report \$50 in this item 11.</i>
(6)	Assign the applicable risk weight to the amount of non-significant investments in the capital of unconsolidated financial institutions that does not exceed the ten percent threshold for non-significant investments.	<i>Of the \$100 in common shares, \$50 are deducted in this item 11. The remaining \$50 needs to be included in risk-weighted assets in Schedule RC-R, Part II. *</i>

* In this case (assuming that publicly traded equity exposures do not qualify for a 100 percent risk weight under section 52(b)(3)(iii) of the regulatory capital rules), $\$50 \times 300$ percent risk weight for publicly traded common shares under section 52(b)(5) of the capital rules = \$150 in risk-weighted assets for the portion of common shares in an unconsolidated financial institution that are not deducted.

Part I. (cont.)

Item No. Caption and Instructions

12 Subtotal.

(i) All ~~non-advanced approaches institutions~~institutions not subject to the expanded risk-based approach (column A on the FFIEC 031):

Report the amount in Schedule RC-R, Part I, item 5, less the amounts in Schedule RC-R, Part I, items 6 through 10.b.

This subtotal will be used in Schedule RC-R, Part I, items 13 through 15 on the FFIEC 041; items 13.a, 14.a, and 15.a on the FFIEC 031, to calculate the amounts of items subject to the 25 percent common equity tier 1 capital threshold deductions (threshold items):

- (i) Investments in the capital of unconsolidated financial institutions, net of associated DTLs,
- (ii) MSAs, net of associated DTLs; and
- (iii) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs.

(ii) All ~~advanced approaches institutions~~institutions subject to the expanded risk-based approach (column B on the FFIEC 031):

Report the amount in Schedule RC-R, Part I, item 5, less the amounts in Schedule RC-R, Part I, items 6 through 11.

This subtotal will be used in Schedule RC-R, Part I, items 13.b, 14.b, 15.b, and 16, to calculate the amounts of items subject to the 10 and 15 percent common equity tier 1 capital threshold deductions (threshold items):

- (i) Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs,
- (ii) MSAs, net of associated DTLs; and
- (iii) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs.

FFIEC 041	FFIEC 031	
Item No.	Item No.	<u>Caption and Instructions</u>

NOTE: On the FFIEC 041, item 13 is to be completed by all reporting institutions. On the FFIEC 031, item 13.a is to be completed only by ~~non-advanced approaches institutions~~institutions not subject to the expanded risk-based approach. to

13	13.a	<u>LESS: Investments in the capital of unconsolidated financial institutions, net of associated DTLs, that exceed 25 percent of item 12.</u>
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Items that are not deducted from the appropriate capital tier are risk-weighted based on the exposure in Schedule RC-R, Part II, except for institutions under the community bank leverage ratio (CBLR) framework. Institutions have the flexibility when deciding which investments in the capital of unconsolidated financial institutions to risk weight and which to deduct.

Part I. (cont.)

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

13 (cont.) **13.a** (cont.)

(1)	Total investments in the capital of unconsolidated financial institutions	\$20
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	\$60 x 25% = \$15
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	\$20 > \$15, so the amount deducted is \$20-\$15 = \$5
(4)	The amount of investments deducted from regulatory capital can be deducted from the corresponding total amounts of regulatory capital held by the institution that meet each type of capital, as an institution chooses.	<i>Total of \$5 must be deducted from regulatory capital. Since institutions have the flexibility to choose which items are deducted, they can elect to allocate the tier 1 investments first. As a result, the remaining investment that exceeds the threshold would be tier 2 instruments. Therefore, since CBLR electing institutions are not required to make tier 2 deductions, no deduction is necessary.</i>

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

NOTE: On the FFIEC 031, item 13.b is to be completed only by advanced approaches institutions institutions subject to the expanded risk-based approach. Item 13.b is not applicable to institutions that file the FFIEC 041.

- **13.b** **LESS: Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.**
 An institution has a significant investment in the capital of an unconsolidated financial institution when it owns more than 10 percent of the issued and outstanding common shares of that institution.

Report the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold, calculated as follows:

Part I. (cont.)**FFIEC 041 FFIEC 031****Item No. Item No. Caption and Instructions**

- | | | |
|---|------------------------|--|
| - | 13.b
(cont.) | <p>(1) Determine the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs.</p> <p>(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12, column B, report the difference in this item 13.b.</p> <p>(3) If the amount in (1) is less than 10 percent of Schedule RC-R, Part I, item 12, column B, report zero in this item 13.b.</p> |
|---|------------------------|--|

If the institution included embedded goodwill in Schedule RC-R, Part I, item 6, to avoid double counting, the institution may net such embedded goodwill already deducted against the exposure amount of the significant investment. For example, if an institution has deducted \$10 of goodwill embedded in a \$100 significant investment in the capital of an unconsolidated financial institution in the form of common stock, the institution would be allowed to net such embedded goodwill against the exposure amount of such significant investment (that is, the value of the investment would be \$90 for purposes of the calculation of the amount that would be subject to deduction).

For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, apply a 250 percent risk weight to the aggregate amount of the items subject to the 10 and 15 percent common equity tier 1 capital deduction thresholds that are not deducted from common equity tier 1 capital, without regard to any associated DTLs. Report this amount in Schedule RC-R, Part II, item 2.b, 7, or 8, as appropriate.

NOTE: On the FFIEC 041, item 14 is to be completed by all reporting institutions. On the FFIEC 031, item 14.a is to be completed only by ~~non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach.

- | | | |
|----|------|--|
| 14 | 14.a | <p><u>LESS: MSAs, net of associated DTLs, that exceed 25 percent of item 12.</u>
Report the amount of MSAs included in Schedule RC-M, item 2.a, net of associated DTLs, that exceed the 25 percent common equity tier 1 capital deduction threshold as follows:</p> |
|----|------|--|

Part I. (cont.)

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

- | | | |
|------------------------------|--------------------------------|---|
| <p>14
(cont.)</p> | <p>14.a
(cont.)</p> | <p>(1) Take the amount of MSAs as reported in Schedule RC-M, item 2.a, net of associated DTLs.</p> <p>(2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031), report the difference in this item 14 on the FFIEC 041; item 14.a on the FFIEC 031.</p> <p>(3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), enter zero in this item 14 on the FFIEC 041; item 14.a on the FFIEC 031.</p> |
|------------------------------|--------------------------------|---|

All institutions must apply a 250 percent risk-weight to MSAs that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for institutions that are subject to the community bank leverage ratio (CBLR) framework.

Example and a worksheet calculation:

Assumptions:

For example, assume that an institution:

- Has \$20 of MSAs, net of associated DTLs, and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12, (column A on the FFIEC 031) of \$60.

(1)	Total amount of MSAs, net of associated DTLs	\$20
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	$\$60 \times 25\% = \15
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	$\$20 > \15 , so the amount deducted is $\$20 - \$15 = \$5$

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

NOTE: On the FFIEC 031, item 14.b is to be completed only by advanced approaches institutions institutions subject to the expanded risk-based approach. Item 14.b is not applicable to institutions that file the FFIEC 041.

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| <p>-</p> | <p>14.b</p> | <p><u>LESS: MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.</u> Report the amount of MSAs included in Schedule RC-M, item 2.a, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold as follows:</p> <p>(1) Take the amount of MSAs as reported in Schedule RC-M, item 2.a, net of associated DTLs.</p> <p>(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), report the difference in this item 14.b.</p> <p>(3) If the amount in (1) is less than or equal to 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), enter zero in this item 14.b.</p> |
|----------|--------------------|---|

Part I. (cont.)

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

- **14.b** For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, apply a 250 percent risk-weight to MSAs that are not deducted from common equity tier 1 capital, without regard to any associated DTLs.
- (cont.)

Example and a worksheet calculation:

Assumptions:

For example, assume that an institution:

- Has \$20 of MSAs, net of associated DTLs, and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12, (column B on the FFIEC 031) of \$60.

(1)	Total amount of MSAs, net of associated DTLs	\$20
(2)	Multiply the total common equity tier 1 capital subtotal by 10 percent.	$\$60 \times 10\% = \6
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	$\$20 > \6 , so the amount deducted is $\$20 - \$6 = \$14$

NOTE: On the FFIEC 041, item 15 is to be completed by all reporting institutions. On the FFIEC 031, item 15.a is to be completed only by ~~non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach.

- 15** **15.a** **LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed 25 percent of item 12.**
 - (1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution’s allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).
 - (2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), report the difference in this item 15 on the FFIEC 041; item 15.a on the FFIEC 031.
 - (3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12 (column A on the FFIEC 031), enter zero in this item 15 on the FFIEC 041; item 15.a on the FFIEC 031.

Part I. (cont.)**FFIEC 041 FFIEC 031****Item No. Item No. Caption and Instructions**

15 **15.a**
(cont.) (cont.)

(1)	Total amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs.	\$20
(2)	Multiply the total common equity tier 1 capital subtotal by 25 percent.	$\$60 \times 25\% = \15
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	$\$20 > \15 , so the amount deducted is $\$20 - \$15 = \$5$

NOTE: On the FFIEC 031, item 15.b is to be completed only by advanced approaches institutions subject to the expanded risk-based approach. Item 15.b is not applicable to institutions that file the FFIEC 041.

- **15.b** **LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.**

- (1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the institution's allowance for loan and lease losses (ALLL) or allowances for credit losses (ACL), as applicable).
- (2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), report the difference in this item 15.b.
- (3) If the amount in (1) is less than 10 percent of Schedule RC-R, Part I, item 12 (column B on the FFIEC 031), enter zero in this item 15.b.

Part I. (cont.)

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

- **15.b**
(cont.) DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned to a 100 percent risk-weight category. For an institution that is a member of a consolidated group for tax purposes, the amount of DTAs that could be realized through net operating loss carrybacks may not exceed the amount that the institution could reasonably expect to have refunded by its parent holding company.

For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, apply a 250 percent risk weight to DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from common equity tier 1 capital, without regard to any associated DTLs

Example and a worksheet calculation:

Assumptions:

For example, assume that an institution:

- Has \$20 of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances and net of associated DTLs, and
- Has total common equity tier 1 capital subtotal (reported in Schedule RC-R, Part I, item 12, (column B on the FFIEC 031) of \$60.

(1)	Total amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances and net of associated DTLs.	\$20
(2)	Multiply the total common equity tier 1 capital subtotal by 10 percent.	$\$60 \times 10\% = \6
(3)	Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.	$\$20 > \6 , so the amount deducted is $\$20 - \$6 = \$14$

Part I. (cont.)**FFIEC 041 FFIEC 031****Item No. Item No. Caption and Instructions**

NOTE: On the FFIEC 031, item 16 is to be completed only by **advanced approaches institutions** ~~institutions~~ **subject to the expanded risk-based approach**. Item 16 is not applicable to institutions that file the FFIEC 041.

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|---|----|--|
| - | 16 | <p><u>LESS: Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold.</u></p> |
|---|----|--|

The aggregate amount of the threshold items (that is, significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs) may not exceed 15 percent of the institution's common equity tier 1 capital, net of applicable adjustments and deductions (the 15 percent common equity tier 1 capital deduction threshold).

Example and a worksheet calculation for ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach:

Assumptions:

- The amount reported in Schedule RC-R, Part I, item 12 (column B on the FFIEC 031) is \$130. (This amount is common equity tier 1 capital after all deductions and adjustments, except for the deduction of the threshold items).
- Assume that the associated DTLs are zero; also assume the following balance sheet amounts prior to deduction of these items:
 - Significant investments in the common shares of unconsolidated financial institutions net of associated DTLs = \$10
 - MSAs net of associated DTLs = \$20
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of DTLs = \$30.

Part I. (cont.)

FFIEC 041 and

FFIEC 031

Item No. Caption and Instructions**17 LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.*****(i) All ~~non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach (column A on the FFIEC 031):***

Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments, reciprocal cross-holdings, and investments in the capital of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule RC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule RC-R, Part I, item 44 on the FFIEC 041; item 44.a on the FFIEC 031) to absorb these deductions in Schedule RC-R, Part I, items 24 or 45, as appropriate.

Since the community bank leverage ratio (CBLR) framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable capital rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable capital rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

(ii) All ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach (column B on the FFIEC 031):

Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments; investments in own covered debt instruments, as applicable; reciprocal cross-holdings; non-significant investments in the capital and covered debt instruments, as applicable, of unconsolidated financial institutions; investments in nonqualifying excluded covered debt instruments, as applicable;¹ and non-common stock significant investments in the capital and covered debt instruments of unconsolidated financial institutions if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule RC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule RC-R, Part I, items 44.a and 44.b) to absorb these deductions in Schedule RC-R, Part I, items 24 or 45, as appropriate.

18 Total adjustments and deductions for common equity tier 1 capital. Report the sum of Schedule RC-R, Part I, items 13 through 17.**19 Common equity tier 1 capital. Report Schedule RC-R, Part I, item 12 less item 18. Except for a CBLR electing institution under the community bank leverage ratio framework, the amount reported in this item is the numerator of the institution's common equity tier 1 risk-based capital ratio.**

Part I. (cont.)**Item No. Caption and Instructions****Additional Tier 1 Capital**

- 20** **Additional tier 1 capital instruments plus related surplus.** Report the portion of noncumulative perpetual preferred stock and related surplus included in Schedule RC, item 23, and any other capital instrument and related surplus that satisfy all the eligibility criteria for additional tier 1 capital instruments in section 20(c) of the regulatory capital rules of the institution's primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 1 capital under the primary federal supervisor's general risk-based capital rules (for example, tier 1 instruments issued under the TARP program that are grandfathered permanently). Also include additional tier 1 capital instruments issued as part of an ESOP, provided that the repurchase of such instruments is required solely by virtue of ERISA for an institution that is not publicly-traded.

- 21** ~~**Not applicable. Non-qualifying capital instruments subject to phase-out from additional tier 1 capital.**~~ Report the amount of non-qualifying capital instruments that may not be included in additional tier 1 capital, as described in Schedule RC-R, Part I, item 20, and that is subject to phase-out from additional tier 1 capital.

~~Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital, respectively, as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 3 below.~~

~~The amount of non-qualifying capital instruments that is excluded from additional tier 1 capital in accordance with Table 3 may be included in tier 2 capital (in Schedule RC-R, Part I, item 40) without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the regulatory capital rules.~~

~~**Transition provisions for non-qualifying capital instruments includable in additional tier 1 or tier 2 capital:**~~

~~Table 3 applies separately to additional tier 1 and tier 2 non-qualifying capital instruments. For example, an institution that has \$100 in non-qualifying tier 1 instruments may include up to \$20 in additional tier 1 capital in 2020, and \$10 in 2021. If that same institution has \$100 in non-qualifying tier 2 instruments, it may include up to \$20 in tier 2 capital in 2020 and \$10 in 2021.~~

~~If the institution is involved in a merger or acquisition, it should treat its non-qualifying capital instruments following the requirements in section 300 of the regulatory capital rules.~~

Part I. (cont.)

Item No. Caption and Instructions

21 ~~Table 3 – Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital during the transition period~~
(cont.)

Transition period	Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital
Calendar year 2015	70
Calendar year 2016	60
Calendar year 2017	50
Calendar year 2018	40
Calendar year 2019	30
Calendar year 2020	20
Calendar year 2021	10
Calendar year 2022 and thereafter	0

22 **Tier 1 minority interest not included in common equity tier 1 capital.** Report the amount of tier 1 minority interest not included in common equity tier 1 capital that is includable at the consolidated level, calculated as described below and in section 21 of the regulatory capital rules.

(i) All institutions, except ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach:

~~Non-advanced approaches institutions~~ **Institutions not subject to the expanded risk-based approach** are able to include tier 1 minority interest up to 10 percent of the parent banking organization’s tier 1 capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the capital rule. Tier 1 minority interest is the portion of tier 1 capital in a reporting institution’s subsidiary not attributable, directly or indirectly, to the parent institution. Note that an institution may only include tier 1 minority interest if the capital instruments issued by the subsidiary meet all of the criteria for tier 1 capital (qualifying tier 1 capital instruments).

Example and a worksheet calculation for ~~non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach: Calculate tier 1 minority interest not included in common equity tier 1 minority interest includable at the reporting institution’s level as follows:

Assumptions:

- This is a continuation of the example for all institutions, except ~~advanced approaches institutions~~ **institutions subject to the expanded risk-based approach**, used in the instructions for Schedule RC-R, Part I, item 4.
- Assumptions and calculation from Schedule RC-R, Part I, item 4:
 - The parent banking organization’s common equity tier 1 before minority interest and common equity tier 1 capital adjustments and deductions is \$100.
 - Common equity tier 1 capital adjustments and deductions is \$10.

Part I. (cont.)

Item No. Caption and Instructions

- 22** • The parent banking organization’s additional tier 1 capital instruments before minority interest and additional tier 1 deductions equal \$15.
 (cont.) • Additional tier 1 capital deductions equal \$4.
 • Subsidiary A has \$6 of additional tier 1 minority interest (that is, owned by minority shareholders).
 • Subsidiary B has \$6 of additional tier 1 minority interest (that is, owned by minority shareholders).
 • The subsidiary’s tier 1 minority interest (that is, owned by minority shareholders) is \$24 (\$12 of common equity tier 1 minority interest and \$12 of minority interest in the form of additional tier 1 instruments).

(1)	Common equity tier 1 capital before CET1 minority interest + Additional tier 1 capital instruments before minority interest - additional tier 1 capital deductions = Schedule RC-R, Part I, sum of items 19, 20, and 21, minus item 4 minus item 24.	$\$90 + \$15 - \$4 = \101
(2)	Multiply step (1) by 10 percent. This is the maximum includable tier 1 minority interest from all subsidiaries.	$\$101 \times 10\% = \10.1
(3)	Determine the lower of (2) or the tier 1 minority interest from all subsidiaries.	<i>Minimum of (\$10.1 from Step 2 or \$24 from the assumptions) = \$10.1</i>
(4)	From (3), subtract out the common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 4. This is the “tier 1 minority interest not included in common equity tier 1 minority interest includable at the reporting institution’s level” to be included in Schedule RC-R, Part I, item 22.	$\$10.1 - \$9 = \$1.1$

(ii) ~~Advanced approaches institutions~~ Institutions subject to the expanded risk-based approach:

For each consolidated subsidiary, perform the calculations in steps (1) through (10) of the worksheet below. Sum the results from step 10 for each consolidated subsidiary and report the aggregate amount in this item 22.

For tier 1 minority interest, there is no requirement that the subsidiary be a depository institution or a foreign bank. However, the instrument that gives rise to tier 1 minority interest must meet all the criteria for either common equity tier 1 capital or additional tier 1 capital instrument.

Example and a worksheet calculation for ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach: Calculate tier 1 minority interest not included in common equity tier 1 capital includable at the institution level as follows:

Part I. (cont.)**Item No. Caption and Instructions**

- 22** *Assumptions:*
(cont.)
- This is a continuation of the example used for common equity tier 1 minority interest from Schedule RC-R, Part I, item 4.
 - For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary: \$1,000 in each case.
 - Subsidiary's tier 1 capital: \$110, which is composed of subsidiary's common equity tier 1 capital \$80 and additional tier 1 capital of \$30.
 - Subsidiary's common equity tier 1 owned by minority shareholders: \$24.
 - Subsidiary's additional tier 1 capital owned by minority shareholders: \$15
 - Other relevant numbers are taken from the example in Schedule RC-R, Part I, item 4.

(1)	Determine the risk-weighted assets of the subsidiary.	\$1,000
(2)	Using the standardized approach, determine the standardized risk-weighted assets of the reporting institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	\$1,000
(3)	Multiply the lower of (1) or (2) by 8.5 percent. ¹	$\$1,000 \times 8.5\% = \85
(4)	Determine the dollar amount of tier 1 capital for the subsidiary. If this amount is less than step (3), enter the sum of common equity tier 1 and additional tier 1 minority interest (\$39 in this example) in step (9). Otherwise continue on to step (5).	\$110
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus tier 1 capital of the subsidiary."	$\$110 - \$85 = \$25$
(6)	Determine the percent of the subsidiary's qualifying tier 1 capital instruments that are owned by third parties (the minority shareholders).	$\$24 + \$15 = \$39$. $\text{Then } \$39/\$110 = 35.45\%$
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus tier 1 minority interest of the subsidiary."	$35.45\% \times \$25 = \8.86
(8)	Determine the total amount of tier 1 minority interest of the subsidiary. Then subtract the surplus tier 1 minority interest of the subsidiary (step 7) from this amount.	$\$24 + \$15 = \$39$. $\text{Then } \$39 - \$8.86 = \$30.14$
(9)	The "tier 1 minority interest includable at the reporting institution's level" is the amount from step (8) (or from step (4) when there is no surplus tier 1 minority interest of the subsidiary).	\$30.14
(10)	Subtract any minority interest that is included in common equity tier 1 capital (from Schedule RC-R, Part I, item 4). The result is the minority interest included in additional tier 1 capital.	$\$30.14 - \21 <i>(from example in item 4) = \$9.14.</i>

Note: As indicated, this example built onto the example under the instructions for item 4, where the subsidiary was a depository institution, and where its common equity tier 1 minority interest was includable in common equity tier 1 capital. However, if this were a subsidiary other than a depository institution, none of its minority interest arising from common equity tier 1 would have been includable in common equity tier 1 capital. If the subsidiary in the example were not a depository institution, the full calculated amount of minority interest (\$30.14) would be includable in additional tier 1 capital of the reporting institution since none of it would have been includable in common equity tier 1 capital.

¹ The percentage multiplier in step (3) is the capital ratio necessary for the subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments. [Advanced approaches institutions](#) [Institutions subject to the expanded risk-based approach](#) must adjust this percentage to account for all applicable capital buffers.

Part I. (cont.)**Item No. Caption and Instructions**

23 **Additional tier 1 capital before deductions.** Report the sum of Schedule RC-R, Part I, items 20, ~~21~~, and 22.

24 **LESS: Additional tier 1 capital deductions.** Report additional tier 1 capital deductions as the sum of the following elements.

Note that an institution should report additional tier 1 capital deductions in this item 24 irrespective of the amount of additional tier 1 capital before deductions reported in Schedule RC-R, Part I, item 23. If an institution does not have a sufficient amount of additional tier 1 capital before deductions in item 23 to absorb these deductions, then the institution must deduct the shortfall from common equity tier 1 capital in Schedule RC-R, Part I, item 17. For example, if an institution reports \$0 of “Additional tier 1 capital before deductions” in Schedule RC-R, Part I, item 23, and has \$100 of additional tier 1 capital deductions, the institution would report \$100 in this item 24, add \$100 to the amount to be reported in Schedule RC-R, Part I, item 17, and report \$0 in Schedule RC-R, Part I, item 25, “Additional tier 1 capital.”

(i) ~~Non-advanced approaches institutions~~ Institutions not subject to the expanded risk-based approach:

(1) Investments in own additional tier 1 capital instruments. Report the institution’s investments in (including any contractual obligation to purchase) its own additional tier 1 capital instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

Part I. (cont.)**Item No. Caption and Instructions**

24
(cont.)

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing institution is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing institution has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing institution under the generally applicable rule (tier 2 qualifying investments), and the institution's total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the institution is not required to deduct the tier 2 qualifying investments.

- (4) Other adjustments and deductions.** Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross-holdings, and investments in the tier 2 capital of unconsolidated financial institutions,).

Eligible institutions that opt into the community bank leverage ratio framework are not required to calculate tier 2 capital and would not be required to make any deductions that would be taken from tier 2 capital.

In addition, insured state banks with real estate subsidiaries whose continued operations have been approved by the FDIC pursuant to Section 362.4 of the FDIC's Rules and Regulations generally should include as a deduction from additional tier 1 capital their equity investment in the subsidiary. (Insured state banks with FDIC-approved phase-out plans for real estate subsidiaries need not make these deductions.) Insured state banks with other subsidiaries (that are not financial subsidiaries) whose continued operations have been approved by the FDIC pursuant to Section 362.4 should include as a deduction from additional tier 1 capital the amount required by the approval order.

(ii) ~~Advanced approaches institutions~~ Institutions subject to the expanded risk-based approach:

- (1) Investments in own additional tier 1 capital instruments.** Report the institution's investments in (including any contractual obligation to purchase) its own additional tier 1 capital instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

- (i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
- (ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and

Part I. (cont.)**Item No. Caption and Instructions**

24 (iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

(cont.)

(2) Reciprocal cross-holdings in the capital of financial institutions. Include investments in the additional tier 1 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal cross-holdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. If the institution does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

For example, if an institution is required to deduct a certain amount from additional tier 1 capital and it does not have additional tier 1 capital, then the deduction should be from common equity tier 1 capital in Schedule RC-R, Part I, item 17.

(3) Non-significant investments in additional tier 1 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments. As noted in the instructions for Schedule RC-R, Part I, item 11 above, an institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution. Calculate this amount as follows:

- (1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1 capital, tier 2 capital, and covered debt instruments, as applicable.¹
- (2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.
- (3) If the amount in (1) is greater than the ten percent threshold for non-significant investments (Schedule RC-R, Part I, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this item 24.
- (4) If the amount in (1) is less than the 10 percent threshold for non-significant investments, report zero.

For example, assume an institution has a total of \$200 in non-significant investments (step 1), including \$60 in the form of additional tier 1 capital (step 2), and its ten percent threshold for non-significant investments is \$100 (as calculated in step 4 of item 11). Since the aggregate amount of non-significant investments exceeds the ten percent threshold for non-significant investments by \$100 (\$200-\$100), the institution would multiply \$100 by the ratio of 60/200 (step 3). Thus, the institution would need to deduct \$30 from its additional tier 1 capital.

¹ An institution may exclude covered debt instruments (as defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable) from the calculation of non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions. An institution subject to the expanded risk-based approach advanced approaches rule that is not a subsidiary of a global systemically important banking organization, as defined in 12 CFR

Part I. (cont.)**Item No. Caption and Instructions**

24 **(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from additional tier 1 capital.** Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.

(cont.)

(5) Other adjustments and deductions. Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross-holdings; non-significant investments in the tier 2 capital of unconsolidated financial institutions; significant investments in the tier 2 capital of unconsolidated financial institutions, and for ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, as applicable, significant investments in the covered debt instruments of unconsolidated financial institutions, non-significant investments in the covered debt instruments of unconsolidated financial institutions, and investments in nonqualifying excluded covered debt instruments).

In addition, insured state banks with real estate subsidiaries whose continued operations have been approved by the FDIC pursuant to Section 362.4 of the FDIC's Rules and Regulations generally should include as a deduction from additional tier 1 capital their equity investment in the subsidiary. (Insured state banks with FDIC-approved phase-out plans for real estate subsidiaries need not make these deductions.) Insured state banks with other subsidiaries (that are not financial subsidiaries) whose continued operations have been approved by the FDIC pursuant to Section 362.4 should include as a deduction from additional Tier 1 capital the amount required by the approval order.

25 **Additional tier 1 capital.** Report the greater of Schedule RC-R, Part I, item 23 minus item 24, or zero.

Tier 1 Capital

26 **Tier 1 capital.** Report the sum of Schedule RC-R, Part I, items 19 and 25.

Total Assets for the Leverage Ratio

27 **Average total consolidated assets.** All institutions must report the amount of average total consolidated assets as reported in Schedule RC-K, item 9.

An institution that has adopted [FASB Accounting Standards Update No. 2016-13](#) (ASU 2016-13) which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should increase its average total consolidated assets by its applicable CECL transitional amount, in accordance with section 301(c)(1)(iv) of the regulatory capital rules. Specifically, a 3-year CECL electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period (see Table 2 in the General Instructions for Schedule RC-R, Part I).

An institution that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should increase its average total consolidated assets by its applicable modified CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should increase its average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by 100 percent of its modified CECL transitional amount during

Part I. (cont.)**Item No. Caption and Instructions**

27
(cont.) the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).

28 LESS: Deductions from common equity tier 1 capital and additional tier 1 capital.

(i) ~~Non-advanced approaches institutions~~Institutions not subject to the expanded risk-based approach:

On the FFIEC 041, report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, Part I, items 6, 7, 8, 10.b, 13 through 15, 17, and 24.

On the FFIEC 031, report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, Part I, items 6, 7, 8, 10.b, 13.a, 14.a, 15.a, 17 (column A), and 24.

On the FFIEC 031 and the FFIEC 041, also exclude the amount reported in Schedule RC-R, Part I, item 17, that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in Schedule RC-R, Part I, item 24. (This is to avoid double counting.)

(ii) ~~Advanced approaches institutions~~Institutions subject to the expanded risk-based approach:

Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule RC-R, Part I, items 6, 7, 8, 10.b, 11, 13.b, 14.b, 15.b, 16, 17 (column B), and 24. Also exclude the amount reported in Schedule RC-R, Part I, item 17, that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in Schedule RC-R, Part I, item 24. (This is to avoid double counting.)

29 LESS: Other deductions from (additions to) assets for leverage ratio purposes. Based on the regulatory capital rules of the bank's primary federal supervisor, report the amount of any deductions from (additions to) total assets for leverage ratio purposes that are not included in Schedule RC-R, Part I, item 28, as well as the items below, if applicable. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.

Include as a deduction the quarterly average amount of Paycheck Protection Program (PPP) loans pledged to the PPP Liquidity Facility (PPPLF). 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 RC-K, item 9. Institutions also should report in Schedule RC-M, item 17.e, the quarterly average amount of PPP loans pledged to the PPPLF that are included as a deduction in this item 29.

Include as a deduction the quarterly average amount of assets purchased under the Money Market Mutual Fund Liquidity Facility (MMLF). 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 RC-K, item 9. Institutions also should report in Schedule RC-M, item 18.b, the quarterly average amount of assets purchased under the MMLF that are included as a deduction in this item 29.

Part I. (cont.)**Item No. Caption and Instructions****29 *Institutions that make the AOCI opt-out election in Schedule RC-R, Part I, item 3.a –*
(cont.) *Defined benefit postretirement plans:***

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”), the institution should adjust total assets for leverage ratio purposes for any amounts included in Schedule RC, item 26.b, “Accumulated other comprehensive income” (AOCI), affecting assets as a result of the initial and subsequent application of ASC Topic 715. The adjustment also should take into account subsequent amortization of these amounts from AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule RC-R, Part I, item 9.d) is to reverse the effects on AOCI of applying ASC Topic 715 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Topic 715 should be reported as an adjustment to total assets for leverage ratio purposes. For example, the derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Topic 715 should be added back to total assets for leverage ratio purposes by reporting the amount as a negative number in this item. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in total assets should be deducted from total assets for leverage ratio purposes by reporting the amount as a positive number in this item.

Institutions that do not make the AOCI opt-out election and all ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach – Available-for-sale debt securities:

Available-for-sale debt securities are reflected at amortized cost when calculating average total consolidated assets for Schedule RC-K, item 9. Therefore, include in this item as a deduction from (addition to) assets for leverage ratio purposes the amount needed to adjust the quarterly average for available-for-sale debt securities included in Schedule RC-K, item 9, from an average based on amortized cost to an average based on fair value. If the deferred tax effects of any net unrealized gains (losses) on available-for-sale debt securities were excluded from the determination of average total consolidated assets for Schedule RC-K, item 9, also include in this item as a deduction from (addition to) assets for leverage ratio purposes the quarterly average amount necessary to reverse the effect of this exclusion on the quarterly average amount of net deferred tax assets included in Schedule RC-K, item 9.

Financial Subsidiaries:

If a financial subsidiary is not consolidated into the bank for purposes of the bank’s balance sheet, include in this item 29 as a deduction from the bank’s average total assets (as reported in Schedule RC-R, Part I, item 27) the quarterly average for the bank’s ownership interest in the financial subsidiary accounted for under the equity method of accounting that is included in the bank’s average total assets reported in Schedule RC-K, item 9.

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29
(cont.) If a financial subsidiary is consolidated into the bank for purposes of the bank's balance sheet, include in this item 29 as a deduction from the bank's average total assets (as reported in Schedule RC-R, Part I, item 27) the quarterly average of the assets of the subsidiary that have been included in the bank's consolidated average total assets reported in Schedule RC-K, item 9; minus any deductions from common equity tier 1 capital and additional tier 1 capital attributable to the financial subsidiary that have been included in Schedule RC-R, Part I, item 28; and plus the quarterly average of bank assets representing claims on the financial subsidiary, other than the bank's ownership interest in the subsidiary, that were eliminated in consolidation. Because the bank's claims on the subsidiary were eliminated in consolidation, these bank assets were not included in the bank's consolidated average total assets reported in Schedule RC-K, item 9.

Non-Includable Subsidiaries:

A savings association with a non-includable subsidiary should include in this item 29 a deduction from average total assets (as reported in Schedule RC-R, Part I, item 27) determined in the same manner as described above for financial subsidiaries, except that for a non-includable subsidiary accounted for under the equity method of accounting, the deduction should be the quarterly average for the savings association's outstanding investments (both equity and debt) in, and extensions of credit to, the subsidiary.

30 **Total assets for the leverage ratio.** Report Schedule RC-R, Part I, item 27, less items 28 and 29.

Leverage Ratio

31 **Leverage ratio.** Report the institution's leverage ratio as a percentage, rounded to four decimal places. Divide Schedule RC-R, Part I, item 26 by item 30.

31.a **Does your institution have a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date?**

Enter "1" for Yes or enter "0" for No. Refer to the qualifying criteria for using the CBLR framework, which are explained in the instructions for Schedule RC-R, Part I, items 32 through 34, below.

NOTE: Item 31.b is to be completed by ~~advanced approaches institutions~~ institutions not subject to the expanded risk-based approach that elect to use the Standardized Approach for Counterparty Credit Risk (SA-CCR) for purposes of the standardized approach and supplementary leverage ratio (as applicable). Other ~~non-advanced approaches institutions~~ institutions subject to the expanded risk-based approach that did not elect to use SA-CCR, and all ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, should leave this item blank.

31.b **Standardized Approach for Counterparty Credit Risk opt-in election.** An ~~non-advanced approaches~~ institution not subject to the expanded risk-based approach may continue to use the Current Exposure Method or elect to use SA-CCR for purposes of the standardized approach and supplementary leverage ratio (as applicable). Where a banking institution has the option to choose among the approaches applicable to such institution under the capital rule, it must use the same approach for all purposes. For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, ~~adoption-use~~ use of the SA-CCR methodology is mandatory ~~beginning January 1, 2022~~. The SA-CCR rule provides ~~non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach the option to adopt SA-CCR for purposes of standardized total risk-weighted assets ~~and, if applicable, the supplementary leverage ratio.~~¹

¹ See 12 CFR 3 (OCC); 12 CFR 217 (Board); 12 CFR 324 (FDIC).

Part I. (cont.)

Item No. Caption and Instructions

31.b ~~Non-advanced approaches institutions~~ Institutions not subject to the expanded risk-based approach that elect to use SA-CCR must notify their appropriate federal supervisor. These institutions would complete this item as prescribed below:

An ~~non-advanced approaches~~ institution not subject to the expanded risk-based approach that adopts SA-CCR would enter “1” for “Yes” in item 31.b. An ~~non-advanced approaches~~ institution not subject to the expanded risk-based approach that does not make a SA-CCR opt-in election should leave item 31.b blank. A non-advanced approaches institution must use the same methodology to calculate the exposure amount for all its derivative contracts and, if an institution has elected to use SA-CCR, an institution may change its election only with prior approval of its appropriate federal supervisor.

Qualifying Criteria and Other Information for CBLR Institutions

Schedule RC-R, Part I, items 32 through 37 and, if applicable, items 38.a through 38.c, are to be completed only by qualifying institutions that have elected to adopt the community bank leverage ratio (CBLR) framework or are within the grace period as of the quarter-end report date. (For further information on the grace period, see the General Instructions for Part I.)

If your institution entered “1” in item 31.a, then items 32 through 37 and, if applicable, items 38.a through 38.c, must be completed. Institutions that do not qualify for or have not adopted the community bank leverage ratio framework as of the quarter-end report date should leave items 32 through 38.c blank and go to Schedule RC-R, Part I, item 39. A qualifying institution can opt out of the community bank leverage ratio framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c.

32 **Total assets.** Report total assets from Schedule RC, item 12. A bank’s total assets must be less than \$10 billion as part of the qualifying criteria for the CBLR framework.

33 **Trading assets and trading liabilities.** Report in column A the sum of trading assets from Schedule RC, item 5, and trading liabilities from Schedule RC, item 15 (i.e., added, not netted).

Report in column B the sum of trading assets and trading liabilities as a percentage of total assets by dividing the amount of trading assets and trading liabilities reported in column A of this item by total assets reported in Schedule RC-R, Part I, item 32, above, rounded to four decimal places. The percentage reported in this item must be 5 percent or less of total assets as part of the qualifying criteria for the CBLR framework.

34 **Off-balance sheet exposures.** Report in the appropriate subitem the specified off-balance sheet exposure amounts.

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38 (cont.) broader range of assets than the PCI asset definition. As defined in ASU 2016-13, “purchased credit-deteriorated assets” are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments–Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution’s assessment.

ASU 2016-13 requires institutions to estimate and record a credit loss allowance for a PCD asset at the time of purchase. The credit loss allowance is then added to the purchase price to determine the amortized cost basis of the asset for financial reporting purposes. Post-acquisition increases in credit loss allowances on PCD assets will be established through a charge to earnings. This accounting treatment for PCD assets is different from the current treatment of PCI assets, for which institutions are not permitted to estimate and recognize credit loss allowances at the time of purchase. Rather, in general, credit loss allowances for PCI assets are estimated subsequent to the purchase only if there is deterioration in the expected cash flows from the assets.

38.a **Loans and leases held for investment.** Report all allowances for credit losses on PCD loans and leases held for investment.

38.b **Held-to-maturity debt securities.** Report all allowances for credit losses on PCD held-to-maturity debt securities.

38.c **Other financial assets measured at amortized cost.** Report all allowances for credit losses on all other PCD financial assets, excluding PCD loans and leases held for investment, held-to-maturity debt securities, and available-for-sale debt securities.

NOTE: A qualifying institution that has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date (i.e., entered “1” for Yes in Schedule RC-R, Part I, item 31.a) should not complete Schedule RC-R, Part I, items 39 through 55.b, and should not complete Schedule RC-R, Part II.

Tier 2 Capital

39 **Tier 2 capital instruments plus related surplus.** Report the portion of cumulative perpetual preferred stock and related surplus included in Schedule RC, item 23; the portion of subordinated debt and limited-life preferred stock and related surplus included in Schedule RC, item 19; and any other capital instrument and related surplus that satisfy all the eligibility criteria for tier 2 capital instruments in section 20(d) of the regulatory capital rules of the institution’s primary federal supervisor.

Include instruments that (i) were issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 2 capital non-qualifying capital instruments (e.g., trust preferred stock and cumulative perpetual preferred stock) under the primary federal supervisor’s general risk-based capital rules.

40 **NA. Non-qualifying capital instruments subject to phase-out from tier 2 capital.** Report the total amount of non-qualifying capital instruments that were included in tier 2 capital and outstanding as of January 1, 2014, and that are subject to phase-out.

— Depository institutions may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital

Part I. (cont.)**Item No. Caption and Instructions**

~~—40~~
(cont.) ~~instruments in section 20 of the regulatory capital rules but that were included in tier 1 or tier 2 capital respectively as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 3 in the instructions for Schedule RC-R, item 21.~~

41 Total capital minority interest that is not included in tier 1 capital.

(i) All institutions, except ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach:

Report the aggregate amount of total capital minority interest, calculated as described below and in section 21 of the regulatory capital rules. ~~Non-advanced approaches institutions~~ institutions subject to the expanded risk-based approach are able to include total capital minority interest up to 10 percent of the parent banking organization's total capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the capital rule. Total capital minority interest is the portion of total capital in a reporting institution's subsidiary not attributable, directly or indirectly, to the parent institution. Note that a reporting institution may only include total capital minority interest if the capital instruments issued by the subsidiary meet all of the criteria for capital (qualifying capital instruments).

Example and a worksheet calculation for all institutions, except ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach: Calculate total capital minority interest includable at the reporting institution's level as follows:

Assumptions:

- This is a continuation of the example for all institutions, except ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, used in the instructions for Schedule RC-R, Part I, items 4 and 22.
- Assumptions and calculation from Schedule RC-R, Part I, item 4:
 - Includable common equity tier 1 minority interest (see Schedule RC-R, Part I, item 4) is \$9.
 - The parent banking organization's common equity tier 1 capital before minority interest and after deductions and adjustments is \$90.
- Assumptions and calculation from Schedule RC-R, Part I, item 22:
 - Includable tier 1 minority interest that is not included in common equity tier 1 minority interest (see Schedule RC-R, Part I, item 22) is \$1.1.
 - The parent banking organization's additional tier 1 capital before minority interest and after deductions is \$11 (\$15 - \$4).
- The parent banking organization's tier 2 capital instruments before minority interest and allowance for loan and lease losses includable in tier 2 capital (or adjusted allowances for credit losses (AACL), as applicable) is \$20. Additional tier 2 capital deductions equal \$2.
- The subsidiary's total capital minority interest (that is, owned by minority shareholders) is \$14.
- Subsidiary A has \$8 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).
- Subsidiary B has \$6 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).

Part I. (cont.)**Item No. Caption and Instructions**41
(cont.)

(1)	Tier 1 capital after deductions and before minority interest + tier 2 capital instruments before minority interest + allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes that is includable in tier 2 capital - tier 2 capital deductions = Schedule RC-R, Part I, sum of items 26, 39, 40, and 42.a, minus item 45.	$\$101 + \$20 - \$2 = \119
(2)	Multiply step (1) by 10 percent. This is the maximum includable total capital minority interest from all subsidiaries.	$\$119 \times 10\% = \11.9
(3)	Determine the lower of (2) or the total capital minority interest from all subsidiaries.	<i>Minimum of (\$11.9 from Step 2 or \$38 from the assumptions) = \$11.9</i>
(4)	From (3), subtract out the includable common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 4, and includable tier 1 minority interest that is not included in common equity tier 1 minority interest reported in Schedule RC-R, Part I, item 22. This is the “total capital minority interest not included in tier 1 minority interest includable at the reporting institution’s level” to be included in Schedule RC-R, Part I, item 41.	$\$11.9 - \$9 - \$1.1 = \1.8

(ii) ~~Advanced approaches institutions~~Institutions subject to the expanded risk-based approach:

Report the amount of total capital minority interest not included in tier 1 capital, as described below. For each consolidated subsidiary, perform the calculations in steps (1) through (10) below. Sum the results for each consolidated subsidiary and report the aggregate number in this item 41.

Example and a worksheet calculation for ~~advanced approaches institutions~~institutions subject to the expanded risk-based approach: Calculate total capital minority interest that is not included in tier 1 capital includable at the institution level as follows:

Assumptions:

- This is a continuation of the example for ~~advanced approaches institutions~~institutions subject to the expanded risk-based approach used in the instructions for Schedule RC-R, Part I, items 4 and 22.
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the institution that relate to the subsidiary: \$1,000 in each case.
- Subsidiary’s total capital: \$130, which is composed of subsidiary’s common equity tier 1 capital \$80, and additional tier 1 capital of \$30, and tier 2 capital of \$20.
- Subsidiary’s common equity tier 1 capital owned by minority shareholders: \$24.
- Subsidiary’s additional tier 1 capital owned by minority shareholders: \$15.
- Subsidiary’s total capital instruments owned by minority shareholders: \$15.
- Other relevant numbers are taken from the examples in Schedule RC-R, Part I, items 4 and 22.

Part I. (cont.)**Item No. Caption and Instructions**41
(cont.)

(1)	Determine the risk-weighted assets of the subsidiary.	\$1,000
(2)	Using the standardized approach, determine the risk-weighted assets of the reporting institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	\$1,000
(3)	Determine the lower of (1) or (2), and multiply that amount by 10.5 percent. ¹	$\$1,000 \times 10.5\% =$ \$105
(4)	Determine the dollar amount of total capital for the subsidiary. If this amount is less than step (3), enter the sum of common equity tier 1, additional tier 1, and total capital minority interest (\$54 in this example) in step (9). Otherwise continue on to step (5).	\$130
(5)	Subtract the amount in step (3) from the amount in step (4). This is the “surplus total capital of the subsidiary.”	$\$130 - \105 $= \$25$
(6)	Determine the percent of the subsidiary’s total capital instruments that are owned by third parties (the minority shareholders).	$\$24 + \$15 + \$15 =$ \$54. Then $\$54/\$130 = 41.54\%$
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the “surplus total capital minority interest of the subsidiary”	$41.54\% \times \$25 =$ \$10.39
(8)	Determine the total amount of total capital minority interest of the subsidiary. Then subtract the surplus total capital minority interest of the subsidiary (step 7) from this amount.	$\$24 + \$15 + \$15 =$ \$54. Then $\$54 -$ $\$10.39 = \43.62 .
(9)	The “total capital minority interest includable at the institution level” is the amount from step (8) or step (4) where there is no surplus total capital minority interest of the subsidiary.	\$43.62 (report the lesser of \$43.62 or \$54).
(10)	Subtract from (9) any minority interest that is included in common equity tier 1 and additional tier 1 capital. The result is the total capital minority interest not included in tier 1 capital includable in total capital.	$\$43.62 - (\$21 +$ $\$9.14$ (from examples in items 4 and 22)) = \$13.48.

¹ The percentage multiplier in step (3) is the capital ratio necessary for a subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments. ~~Advanced approaches institutions~~ Institutions subject to the expanded risk-based approach must adjust this amount for all applicable capital buffers.

Part I. (cont.)

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

42 (cont.)	42.a (cont.)	<p>(2) 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation, as applicable, as reported in Schedule RC-R, Part II, item 26. In calculating the risk-weighted assets base for this purpose, an institution would not include items that are deducted from capital under section 22(a). However, an institution would include risk-weighted asset amounts of items deducted from capital under sections 22(c) through (f) of the regulatory capital rule. While amounts deducted from capital under sections 22(c) through (f) are included in the risk-weighted assets base for the ALLL or AACL calculation, as applicable, such amounts are excluded from standardized total risk-weighted assets used in the denominator of the risk-based capital ratios.</p>
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The amount, if any, by which an institution's ALLL or AACL, as applicable, for regulatory capital purposes exceeds 1.25 percent of the institution's risk-weighted assets base for the ALLL or AACL calculation (as reported in Schedule RC-R, Part II, item 26), as applicable, should be reported in Schedule RC-R, Part II, item 29, "LESS: Excess allowance for loan and lease losses." For an institution that has not adopted ASU 2016-13, the sum of the amount of ALLL includable in tier 2 capital reported in Schedule RC-R, Part I, item 42.a on the FFIEC 031, item 42 on the FFIEC 041; plus the amount of excess ALLL reported in Schedule RC-R, Part II, item 29, must equal Schedule RC, item 4.c, less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3.

NOTE: On the FFIEC 031, item 42.b is to be completed only by ~~advanced approaches~~ institutions subject to the expanded risk-based approach that exit parallel run. Item 42.b is not applicable to institutions that file the FFIEC 041.

-	42.b	<p>Adjusted allowances for credit losses (AACL) includable in tier 2 capital (for institutions subject to the expanded risk-based approach) Advanced approaches institutions that exit parallel run only: eligible credit reserves includable in tier 2 capital. Report the amount of <u>eligible credit reserves the institution's AACL, for regulatory capital purposes that is includable in tier 2 capital</u> as reported in FFIEC 101, Schedule A, item 50.</p>
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43	43	Not applicable.
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Part I. (cont.)

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

44 44.a Tier 2 capital before deductions. ~~On the FFIEC 041, report the sum of Schedule RC-R, Part I, items 39, 41 through and 42.a. On the FFIEC 031, report the sum of Schedule RC-R, Part I, items 39 through 42.a.~~

NOTE: On the FFIEC 031, item 44.b is to be completed only by institutions subject to the expanded risk-based approach ~~advanced approaches institutions that exit parallel run~~. Item 44.b is not applicable to institutions that file the FFIEC 041.

~~-~~ **44.b Tier 2 capital before deductions (for institutions subject to the expanded risk-based approach)** ~~Advanced approaches institutions that exit parallel run only: Tier 2 capital before deductions.~~ Report the sum of Schedule RC-R, Part I, items 39, ~~through 41, plus item~~ and 42.b.

FFIEC 041 and FFIEC 031

Item No. Caption and Instructions

45 LESS: Tier 2 capital deductions. Report total tier 2 capital deductions as the sum of the following elements.

Note that an institution should report tier 2 capital deductions in this item 45 irrespective of the amount of tier 2 capital before deductions reported in Schedule RC-R, Part I, item 44 on the FFIEC 041; item 44.a on the FFIEC 031. If an institution does not have a sufficient amount of tier 2 capital before deductions in item 44 or item 44.a, as applicable, to absorb these deductions, then the institution must deduct the shortfall from additional tier 1 capital before deductions in Schedule RC-R, Part I, item 24, or, if there is not enough additional tier 1 capital before deductions, from common equity tier 1 capital in Schedule RC-R, Part I, item 17.

For example, if an institution reports \$98 of “Tier 2 capital before deductions” in Schedule RC-R, Part I, item 44 or item 44.a, as applicable, and must make \$110 in tier 2 capital deductions, the institution would report \$110 in this item 45, include the additional \$12 in deductions in Schedule RC-R, Part I, item 24 (and in Schedule RC-R, Part I, item 17, in the case of insufficient “Additional tier 1 capital before deductions” in Schedule RC-R, Part I, item 23, from which to make the deduction in Schedule RC-R, Part I, item 24), and report \$0 in Schedule RC-R, Part I, item 46.a, “Tier 2 capital.”

~~Advanced approaches institutions~~ Institutions subject to the expanded risk-based approach with insufficient tier 2 capital for deductions will make the following adjustments: an ~~advanced approaches~~ institution subject to the expanded risk-based approach will make deductions on this schedule under the generally applicable rules that apply to all institutions. It will use FFIEC 101, Schedule A, to calculate its capital requirements under the expanded risk-based approach ~~advanced approaches~~. Therefore, in the case of an ~~advanced approaches~~ institution subject to the expanded risk-based approach with insufficient tier 2 capital to make tier 2 deductions, it will use the corresponding deduction approach and the generally applicable rules to take excess tier 2 deductions from additional tier 1 capital in Schedule RC-R, Part I, item 24, and if necessary from common equity tier 1 capital in Schedule RC-R, Part I, item 17. It will use the expanded risk-based approach rules ~~advanced approaches rules to take applicable~~ deductions on the FFIEC 101 form.

the allowance for loan and lease losses or adjusted allowances for credit losses, as applicable,

For example, assume tier 2 capital is \$100 under the expanded risk-based approach ~~advanced approaches~~ and \$98 under the generally applicable rules (due to the difference between the amount of eligible credit reserves includable in tier 2 capital under the expanded

| ~~risk-based approach~~~~advanced approaches~~, and the amount of the allowance for loan and lease losses or adjusted allowances for credit losses, as applicable,

DRAFT

and

Part I. (cont.)**Item No. Caption and Instructions**

45 ~~includable in tier 2 capital~~ under the standardized approach). If the required deduction from tier 2 capital is \$110, then the ~~advanced approaches~~ institution subject to the expanded risk-based approach would add \$10 to the required additional tier 1 capital deductions (on FFIEC 101, Schedule A, item 42, and FFIEC 101, Schedule A, item 27, if necessary), and would add \$12 to its required additional tier 1 capital deductions for the calculation of the standardized approach regulatory capital ratios in this schedule (Schedule RC-R, Part I, item 24, and Schedule RC-R, Part I, item 17, if necessary).

FFIEC 041 FFIEC 031**Item No. Item No. Caption and Instructions****45 45a(i) Non-advanced approaches institutions LESS Tier 2 capital deductions (Institutions not subject to the expanded risk-based approach):**

(1) Investments in own tier 2 capital instruments. Report the institution's investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

- (i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
- (ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
- (iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

(2) Reciprocal cross-holdings in the capital of financial institutions. Include investments in the tier 2 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

(3) Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from tier 2 capital. Report the total amount of investments in the capital of unconsolidated financial institutions in the form of tier 2 capital that exceeds the 25 percent threshold. Calculate this amount as follows:

- (1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.
- (2) If the amount in (1) is greater than 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031,) report the difference across Schedule RC-R, Part I, item 13 on the FFIEC 041, item 13.a on the FFIEC 031; item 24; or item 45, depending on the tier of capital for which the investments in the capital of

Part I. (cont.)**Item No. Caption and Instructions**

- 45**
(cont.) unconsolidated financial institutions qualify. The institution can elect which investments it must deduct and which it must risk weight. The institution's election and the component of capital for which the underlying instrument would qualify will determine if it will be deducted and reported in item 13 or item 13.a, as applicable, or be deducted and reported in item 24 or item 45.
- (3) If the amount in (1) is less than or equal to 25 percent of Schedule RC-R, Part I, item 12, (column A on the FFIEC 031,) no deduction is needed.

See Schedule RC-R, Part I, item 13 on the FFIEC 041, item 13.a on the FFIEC 031, for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold.

- (4) Other adjustments and deductions.** Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the primary federal supervisor.

- 45.b (ii) ~~Advanced approaches institutions~~ LESS: Tier 2 Capital deductions
Institutions subject to the expanded risk-based approach:

- (1) Investments in own tier 2 capital instruments.** Report the institution's investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly.

An institution may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The institution must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

- (i) Gross long positions in investments in an institution's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
- (ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
- (iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the institution's internal control processes.

Also report investments in (including any contractual obligation to purchase) own covered debt instruments, as applicable, whether held directly or indirectly.

- (2) Reciprocal cross-holdings in the capital of financial institutions.** Include investments in the tier 2 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal cross-holdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. Also include investments in the covered debt instruments of other financial institutions that the institution holds reciprocally, as applicable, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's instruments.

Part I. (cont.)**Item No. Caption and Instructions**

- 45 (3) For institutions subject to the **expanded risk-based approach advanced approaches rule** that are subsidiaries of global systematically important BHCs: investments in nonqualifying excluded covered debt instruments.
- (cont.)

A subsidiary of a global systemically important BHC, as defined in 12 CFR 252.2, must report the amount of any investment, on a gross long basis, in a covered debt instrument that was originally designated as an excluded covered debt instrument, in accordance with 12 CFR 3.22(c)(4)(iv)(A), 12 CFR 217.22(c)(4)(iv)(A), and 12 CFR 324.22(c)(4)(iv)(A), as applicable, but is:

- no longer held in connection with market making-related activities permitted under 12 CFR 44.4, 12 CFR 248.4, and 12 CFR 351.4, as applicable; or
- a direct exposure or an indirect exposure to a covered debt instrument held in connection with market making-related activities permitted under 12 CFR 44.4, 12 CFR 248.4, and 12 CFR 351.4, as applicable, and has been held for more than 30 business days.

Such an institution must also report its aggregate investment in excluded covered debt instruments that exceeds 5 percent of the institution's common equity tier 1 capital, calculated as follows:

- (1) Determine the aggregate amount of investments in excluded covered debt instruments measured on a gross long basis in accordance with 12 CFR 3.22(h)(2), 12 CFR 217.22(h)(2), and 12 CFR 324.22(h)(2), as applicable.
- (2) If the amount in (1) is greater than 5 percent of the amount reported in Schedule RC-R, Part I, item 12, column B, report the difference in this item 45.

- (4) Non-significant investments in tier 2 capital and covered debt instruments of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.**

An institution that is a subsidiary of a global systemically important banking organization, as defined in 12 CFR 252.2, should proceed directly to step (2) below.

Calculate the amount as described below:

- (1) An institution subject to the **expanded risk-based approach advanced approaches rule** that is not a subsidiary of a global systemically important banking organization, as defined in 12 CFR 252.2: determine the amount of covered debt instruments subject to the non-significant investments threshold.
 - (i) Determine the aggregate amount of investments in covered debt instruments measured on a gross long basis in accordance with 12 CFR 3.22(h)(2), 12 CFR 217.22(h)(2), and 12 CFR 324.22(h)(2), as applicable.

Part I. (cont.)**FFIEC 041 FFIEC 031****Item No. Item No. Caption and Instructions**

- 46 46.a **Tier 2 capital.** On the FFIEC 041, report the greater of Schedule RC-R, Part I, item 44 minus item 45, or zero. On the FFIEC 031, report the greater of Schedule RC-R, Part I, item 44.a minus item 45.a, or zero.

NOTE: On the FFIEC 031, item 46.b is to be completed only by ~~advanced approaches~~ institutions ~~subject to the expanded risk based approach~~ ~~that exit parallel run~~. Item 46.b is not applicable to institutions that file the FFIEC 041.

- 46.b **~~Tier 2 capital (for institutions subject to the expanded risk-based approach) Advanced approaches institutions that exit parallel run only: Tier 2 capital.~~** Report the greater of Schedule RC-R, Part I, item 44.b minus item 45.b, or zero.

Total Capital

- 47 47.a **Total capital.** On the FFIEC 041, report the sum of Schedule RC-R, Part I, items 26 and 46. On the FFIEC 031, report the sum of Schedule RC-R, Part I, items 26 and 46.a.

NOTE: On the FFIEC 031, item 47.b is to be completed only by ~~advanced approaches~~ institutions ~~subject to the expanded risk based approach~~ ~~that exit parallel run~~. Item 47.b is not applicable to institutions that file the FFIEC 041.

- 47.b **~~Total capital sum of 26 and 46.b (for institutions subject to the expanded risk-based approach) Advanced approaches institutions that exit parallel run only: Total capital.~~** Report the sum of Schedule RC-R, Part I, items 26 and 46.b.

Total Risk-Weighted Assets

- 48 48.a **Total risk-weighted assets.** Report the amount of total risk-weighted assets using the standardized approach (as reported in Schedule RC-R, Part II, item 31).

NOTE: On the FFIEC 031, item 48.b is to be completed only by ~~advanced approaches~~ institutions ~~institutions subject to the expanded risk-based approach~~ ~~that exit parallel run~~. Item 48.b is not applicable to institutions that file the FFIEC 041.

- 48.b **~~Advanced approaches institutions Institutions subject to the expanded risk-based approach that exit parallel run only: Total risk -weighted assets using (for institutions subject to the expanded risk-based approach) advanced approaches rule.~~** Report the amount ~~from FFIEC 404 as adjusted for the transition provisions in regulatory capital rules, as applicable, from FFIEC 101,~~ Schedule A, item 60.

Risk-Based Capital RatiosFFIEC 041 and
FFIEC 031**Item No. Caption and Instructions**

- 49** **Common equity tier 1 capital ratio.** Report the institution's common equity tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.

On the FFIEC 041: Divide Schedule RC-R, Part I, item 19 by item 48.

On the FFIEC 031:

- Column A: Divide Schedule RC-R, Part I, item 19, column A or B, as applicable, by item 48.a.
- ~~Advanced approaches institutions~~Institutions subject to the expanded risk-based approach that exit parallel run only: Column B: Divide Schedule RC-R, Part I, item 19, column B, by item 48.b. The lower of the reported capital ratios in this item 49, column A and column B, will apply for prompt corrective action purposes.

Part I. (cont.)**Item No. Caption and Instructions**

- 50** **Tier 1 capital ratio.** Report the institution's tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.

On the FFIEC 041: Divide Schedule RC-R, Part I, item 26 by item 48.

On the FFIEC 031:

- Column A: Divide Schedule RC-R, Part I, item 26 by item 48.a.
- ~~Advanced approaches institutions~~ **Institutions subject to the expanded risk-based approach that exit parallel run only:** Column B: Divide Schedule RC-R, Part I, item 26 by item 48.b. The lower of the reported capital ratios in this item 50, column A and column B, will apply for prompt corrective action purposes.

- 51** **Total capital ratio.** Report the institution's total risk-based capital ratio as a percentage, rounded to four decimal places.

On the FFIEC 041: Divide Schedule RC-R, Part I, item 47 by item 48.

On the FFIEC 031:

- Column A: Divide Schedule RC-R, Part I, item 47.a by item 48.a.
- ~~Advanced approaches institutions~~ **Institutions subject to the expanded risk-based approach that exit parallel run only:** Column B: Divide Schedule RC-R, Part I, item 47.b by item 48.b. The lower of the reported capital ratios in this item 51, column A and column B, will apply for prompt corrective action purposes.

Capital Buffer**Item No. Caption and Instructions**

- 52** **Institution-specific capital buffer necessary to avoid limitations on distributions and discretionary bonus payments.**

For all institutions: In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, an institution must hold an institution-specific capital buffer¹ above its minimum risk-based capital requirements.

- 52.a** **Capital conservation buffer.** Report the institution's capital buffer as a percentage, rounded to four decimal places. Except as described below, the capital conservation buffer is equal to the lowest of ratios (1), (2), and (3) below.

For example, the capital buffer to be reported in this item 52.a for the June 30, 2020, report date would be based on the capital ratios reported in Schedule RC-R, Part I, of the Call Report for June 30, 2020.

¹ ~~Advanced approaches institutions~~ **Institutions subject to the expanded risk-based approach**, including those that have not exited parallel run, and ~~Category III institutions~~ will need to consult the regulatory capital rules if the countercyclical capital buffer is in place or if the institution is subject to countercyclical capital buffers in other jurisdictions. The total applicable capital buffer requirement applicable to an **institution subject to the expanded risk-based approach, advanced approaches institution or Category III institution** as of the quarter-end report date should be reported in Schedule RC-R, Part I, item 52.b.

Part I. (cont.)**Item No. Caption and Instructions**

52.a **For all institutions, except ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach that exit parallel run:**

(cont.)

- (1) Schedule RC-R, Part I, item 49, column A, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
- (2) Schedule RC-R, Part I, item 50, column A, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
- (3) Schedule RC-R, Part I, item 51, column A, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the institution's capital conservation buffer is zero.

For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach that exit parallel run only:

- (1) The lower of Schedule RC-R, Part I, item 49, column A and column B, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;
- (2) The lower of Schedule RC-R, Part I, item 50, column A and column B, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and
- (3) The lower of Schedule RC-R, Part I, item 51, column A and column B, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the institution's capital conservation buffer is zero.

52.b **~~Advanced approaches institutions (FFIEC 031) and institutions subject to Category III capital standards (FFIEC 031 and FFIEC 041) only: Total applicable capital buffer (for institutions subject to the expanded risk-based approach).~~** Report the total applicable capital buffer requirement for the reporting institution as specified in the capital rule. The total applicable capital buffer requirement is the sum of the capital conservation buffer (2.5000 percent) plus any countercyclical capital buffer that is in place plus any countercyclical capital buffers in other jurisdictions to which the institution is subject.

NOTE: **~~Non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach other than Category III institutions** must complete Schedule RC-R, Part I, item 53, only if the amount reported in Schedule RC-R, Part I, item 52.a, above, is less than or equal to 2.5000 percent. **~~Advanced approaches institutions~~ Institutions subject to the expanded risk-based approach and Category III institutions** must complete Schedule RC-R, Part I, item 53, only if the amount reported in Schedule RC-R, Part I, item 52.a, above, is less than or equal to the amount reported in Schedule RC-R, Part I, item 52.b, above.

Item No. Caption and Instructions

53 **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 RC-R, Part I, item 54, for the definition of "distributions" from section 2 of the regulatory capital rules.)

Part I. (cont.)**Item No. Caption and Instructions**

NOTE: ~~Non-advanced approaches institutions~~Institutions not subject to the expanded risk-based approach other than Category III institutions must complete Schedule RC-R, Part I, item 54, only if the amount reported in Schedule RC-R, Part I, item 52.a, in the Call Report for the previous calendar quarter-end report date was less than or equal to 2.5000 percent. ~~Advanced approaches institutions~~Institutions subject to the expanded risk-based approach and Category III institutions must complete Schedule RC-R, Part I, item 54, only if the amount reported in Schedule RC-R, Part I, item 52.a, in the Call Report for the previous calendar quarter-end report date was less than or equal to the amount reported in Schedule RC-R, Part I, item 52.b, in the Call Report for the previous calendar quarter-end report date.

Item No. Caption and Instructions

- 54 Distributions and discretionary bonus payments during the quarter.** An institution must complete this item only if the amount of its institution-specific capital buffer, as reported as of the previous calendar quarter-end report date, was less than its applicable required buffer percentage on that previous calendar quarter-end report date. For an institution that must complete this item 54, report the amount of distributions and discretionary bonus payments during the calendar quarter ending on the report date.

Part I. (cont.)**Item No. Caption and Instructions**

- 54** For example:
- (cont.) • ~~An non-advanced approaches~~ institution not subject to the expanded risk-based approach other than a Category III institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending June 30, 2020, in this item 54 in its June 30, 2020, Call Report only if the amount of its capital conservation buffer as reported in Schedule RC-R, Part I, item 52.a, in its March 31, 2020, Call Report was less than or equal to 2.5000 percent
- An institution subject to the expanded risk-based approach that is an advanced approaches institution or a Category III institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending June 30, 2020, in this item 54 in its June 30, 2020, Call Report only if the amount of its capital conservation buffer as reported in Schedule RC-R, Part I, item 52.a, in its March 31, 2020, Call Report was less than or equal to the amount reported in Schedule RC-R, Part I, item 52.b, in its March 31, 2020, Call Report.

As defined in section 2 of the regulatory capital rules, “distribution” means:

- (1) A reduction of tier 1 capital through the repurchase of a tier 1 capital instrument or by other means, except when an institution, within the same quarter when the repurchase is announced, fully replaces a tier 1 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for:
 - (i) A common equity tier 1 capital instrument if the instrument being repurchased was part of the institution's common equity tier 1 capital, or
 - (ii) A common equity tier 1 or additional tier 1 capital instrument if the instrument being repurchased was part of the institution's tier 1 capital;
- (2) A reduction of tier 2 capital through the repurchase, or redemption prior to maturity, of a tier 2 capital instrument or by other means, except when an institution, within the same quarter when the repurchase or redemption is announced, fully replaces a tier 2 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for a tier 1 or tier 2 capital instrument;
- (3) A dividend declaration or payment on any tier 1 capital instrument;
- (4) A dividend declaration or interest payment on any tier 2 capital instrument if the institution has full discretion to permanently or temporarily suspend such payments without triggering an event of default; or
- (5) Any similar transaction that the institution’s primary federal regulator determines to be in substance a distribution of capital.

As defined in section 2 of the regulatory capital rules, “discretionary bonus payment” means a payment made to an executive officer of an institution, where:

- (1) The institution retains discretion as to whether to make, and the amount of, the payment until the payment is awarded to the executive officer;
- (2) The amount paid is determined by the institution without prior promise to, or agreement with, the executive officer; and
- (3) The executive officer has no contractual right, whether express or implied, to the bonus payment.

As defined in section 2 of the regulatory capital rules, “executive officer” means a person who holds the title or, without regard to title, salary, or compensation, performs the function of one or more of the following positions: president, chief executive officer, executive chairman, chief operating officer, chief financial officer, chief investment officer, chief legal officer, chief lending officer, chief risk officer, or head of a major business line, and other staff that the board of directors of the institution deems to have equivalent responsibility.

Part I. (cont.)**Supplementary Leverage Ratio****Item No. Caption and Instructions**

NOTE: Schedule RC-R, Part I, items 55.a and 55.b, are to be completed only by ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, including those that have not exited parallel run, and institutions subject to Category III capital standards. All other institutions should leave Schedule RC-R, Part I, items 55.a and 55.b, blank.

55 ~~Advanced approaches institutions~~ Institutions subject to the expanded risk-based approach (FFIEC 031) and institutions subject to Category III capital standards (FFIEC 031 and FFIEC 041): Supplementary leverage ratio information. Report in the appropriate subitem the institution's total leverage exposure and its supplementary leverage ratio. Report, as applicable, amounts reported in line items 2.21 and 2.22 of SLR Table 2 of Schedule A on the institution's FFIEC 101.

55.a **Total leverage exposure.** Report the institution's total leverage exposure as measured in accordance with section 10(c)(4)(ii)(A) through (H) of the regulatory capital rules, as adjusted pursuant to section 10(c)(4)(ii)(I) for a clearing member institution and section 10(c)(4)(ii)(J) for a custody bank; sections 302 and 305 of these rules for exposures related to the Money Market Mutual Fund Liquidity Facility and the Paycheck Protection Program Liquidity Facility; and, for an electing ~~advanced approaches or Category III~~ depository institution subject to the expanded risk-based approach, the applicable section of these rules for U.S. Treasury securities and deposits in the institution's accounts at Federal Reserve Banks (section 303 for an institution supervised by the Federal Reserve; section 304 for an institution supervised by the OCC or the FDIC).

An ~~advanced approaches or Category III~~ institution subject to the expanded risk-based approach that has adopted [FASB Accounting Standards Update No. 2016-13](#) (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should increase its total leverage exposure by its applicable CECL transitional amount, in accordance with section 301 of the regulatory capital rules. For example, a 3-year CECL electing institution should increase its total leverage exposure for purposes of the supplementary leverage ratio by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period.

An ~~advanced approaches or Category III~~ institution subject to the expanded risk-based approach that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should increase its total leverage exposure by its applicable modified CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution should increase its total leverage exposure for purposes of the supplementary leverage ratio by 100 percent of its modified CECL transitional amount during the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule RC-R, Part I).

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Community Bank Leverage Ratio Framework

A qualifying community banking organization that decides to opt into the community bank leverage ratio (CBLR) framework (i.e., has a CBLR framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a) should not complete Schedule RC-R, Part II. All other institutions should complete Schedule RC-R, Part II. A qualifying institution can opt out of the community bank leverage ratio framework by completing Schedule RC-R, Parts I and II, excluding Schedule RC-R, Part I, items 32 through 38.c. Please refer to the General Instructions for Schedule RC-R, Part I, for information on the reporting requirements that apply when an institution ceases to meet the applicable leverage ratio requirement under the CBLR framework or fails to meet any of the other CBLR qualifying criteria and is no longer in the grace period.

General Instructions for Schedule RC-R, Part II.

The instructions for Schedule RC-R, Part II, items 1 through 22, provide general directions for the allocation of bank balance sheet assets, credit equivalent amounts of derivatives and off-balance sheet items, and unsettled transactions to the risk-weight categories in columns C through Q (and, for items 1 through 10 only, to the adjustments to the totals in Schedule RC-R, Part II, column A, to be reported in column B). In general, the aggregate amount allocated to each risk-weight category is then multiplied by the risk weight associated with that category. The resulting risk-weighted values from each of the risk categories are added together, and generally this sum is the bank's total risk-weighted assets, which comprises the denominator of the risk-based capital ratios.

These instructions should provide sufficient guidance for most banks for risk weighting their balance sheet assets and credit equivalent amounts. However, these instructions do not address every type of exposure. Banks should review the regulatory capital rules of their primary federal supervisory authority for the complete description of capital requirements.

For purposes of these General Instructions, for a bank subject to Category III or Category IV standards and subject to the transition requirements in §.300(a) of the regulatory capital rules, include as applicable AOCI-related amounts adjusted for the transition adjustment percentage in Table 1 to §.300(a).

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)****Exposure Amount Subject to Risk Weighting**

In general, banks need to risk weight the exposure amount. The exposure amount is defined in §.2 of the regulatory capital rules as follows:

- (1) For the on-balance sheet component of an exposure,¹ the bank's carrying value² of the exposure.
- (2) For a security³ classified as AFS or HTM where the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, the carrying value of the exposure (including net accrued but uncollected interest and fees)⁴ less any net unrealized gains on the exposure plus any net unrealized losses on the exposure included in AOCI. For a bank subject to Category III or Category IV standards that is subject to the transition requirements in §.300(a) of the regulatory capital rules, the unrealized gains and losses reflect the adjusted amounts based on the applicable transition adjustment in Table- 1 to §.300(a) as reported on Schedule RC-R Part I. For example, if the carrying value of the security on September 30, 2025, is \$30, including a net unrealized gain of \$4, then the exposure amount is $(30 - (4 * 0.75)) = \$27$.
- (3) For the off-balance sheet component of an exposure,⁵ the notional amount of the off-balance sheet component multiplied by the appropriate credit conversion factor in §.33 of the regulatory capital rules.
- (4) For an exposure that is an OTC derivative contract, the exposure amount determined under §.34 or §.132-113 of the regulatory capital rules.
- (5) For an exposure that is a derivative contract that is a cleared transaction, the exposure amount determined under §.35 or §.133-114 of the regulatory capital rules.

For derivatives that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date, a banking organization does not need to report such notional amounts for derivatives that have matured for purposes of Schedule RC-R, Part II.

¹ Not including: (1) an available-for-sale (AFS) or held-to-maturity (HTM) security where the bank has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule RC-R, Part I, item 3.a, (2) an over-the-counter (OTC) derivative contract, (3) a repo-style transaction or an eligible margin loan for which the bank determines the exposure amount under §.37 of the regulatory capital rules, (4) a cleared transaction, (5) a default fund contribution, or (6) a securitization exposure.

² As indicated in the definition in §.2 of the regulatory capital rules, *carrying value* means, with respect to an asset, the value of the asset on the balance sheet of the bank determined in accordance with U.S. generally accepted accounting principles (GAAP). For all assets other than available-for-sale debt securities or purchased credit-deteriorated assets, the carrying value is not reduced by any associated credit loss allowance that is determined in accordance with U.S. GAAP.

³ Not including: (1) a securitization exposure, (2) an equity exposure, or (3) preferred stock classified as an equity security under U.S. GAAP.

⁴ Where the bank has made the AOCI opt-out election, accrued but uncollected interest and fees reported in Schedule RC, item 11, "Other assets," associated with AFS or HTM debt securities that are not securitization exposures should be reported in Schedule RC-R, Part II, item 8, "All other assets."

⁵ Not including: (1) an OTC derivative contract, (2) a repo-style transaction or an eligible margin loan for which the bank calculates the exposure amount under §.37 of the regulatory capital rules, (3) a cleared transaction, (4) a default fund contribution, or (5) a securitization exposure.

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)**

- (6) For an exposure that is an eligible margin loan or repo-style transaction (including a cleared transaction) for which the bank calculates the exposure amount as provided in §.37, the exposure amount determined under §.37 of the regulatory capital rules.
- (7) For an exposure that is a securitization exposure, the exposure amount determined under §.42 of the regulatory capital rules.

Amounts to Report in Column B

The amount to report in column B will vary depending upon the nature of the particular item.

For items 1 through 8 and 11 of Schedule RC-R, Part II, column B should include the amount of the reporting bank's on-balance sheet assets that are deducted or excluded (not risk weighted) in the determination of risk-weighted assets. Column B should include assets that are deducted from capital such as:

- Goodwill;
- Other intangible assets (other than mortgage servicing assets (MSAs));
- Gain on sale of securitization exposures;
- For ~~non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach, threshold deductions above the 25 percent individual limits for (1) deferred tax assets (DTAs) arising from temporary differences that could not be realized through net operating loss carrybacks, (2) MSAs, net of associated deferred tax liabilities (DTLs), and (3) investments in the capital of unconsolidated financial institutions;
- For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, threshold deductions above the 10 percent individual or 15 percent combined limits for (1) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, (2) MSAs, net of associated DTLs, and (3) significant investments in the capital of unconsolidated financial institutions in the form of common stock;
- For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments;
- For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, investments in covered debt instruments and nonqualifying excluded covered debt instruments,¹ as applicable; and
- Any other assets that must be deducted in accordance with the requirements of a bank's primary federal supervisory authority.

Column B should also include items that are excluded from the calculation of risk-weighted assets, such as the allowance for loan and lease losses or allowances for credit losses, as applicable; allocated transfer risk reserves; and certain on-balance sheet asset amounts associated with derivative contracts that are included in the calculation of the credit equivalent amounts of the derivative contracts. In addition, for items 1 through 8 and 11 of Schedule RC-R, Part II, column B should include any difference between the balance sheet amount of an on-balance sheet asset and its exposure amount as described above under "Exposure Amount Subject to Risk Weighting." *Note: For items 1 through 8 and 11 of Schedule RC-R, Part II, the sum of columns B through R must equal the balance sheet asset amount reported in column A.*

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)**

For items 9.a through 9.d of Schedule RC-R, Part II, the amount a reporting bank should report in column B will depend upon the risk-weighting approach it uses to risk weight its securitization exposures and whether the bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. For each of items 9.a through 9.d, a mathematical relationship similar to the one described above will hold true, such that the sum of columns B through Q must equal the balance sheet asset amount reported in column A.

- If a bank uses the 1,250 percent risk weight approach to risk weight an on-balance sheet securitization exposure, the bank will report in column B the difference between the carrying value of the exposure and the exposure amount that is to be risk weighted. For example, if a bank has a securitization exposure that is an AFS debt security with a \$105 carrying value (i.e., fair value) including a \$5 unrealized gain (in other words, a \$100 amortized cost), the bank would report the following:
 - If the bank has not made (or cannot make) the AOCI opt-out election, the bank would report zero in item 9.b, column B. The bank would report the \$105 exposure amount to be risk weighted in item 9.b, column Q—1250% risk weight.
 - If the bank has made the AOCI opt-out election, the bank would report any unrealized gain as a positive number in item 9.b, column B, and any unrealized loss as a negative number in item 9.b, column B. Therefore, in this example, the bank would report \$5 in item 9.b, column B. Because the bank reverses out the unrealized gain for regulatory capital purposes because it has made the AOCI opt-out election, it does not have to risk weight the gain. (Note: The bank also would report the \$100 exposure amount to be risk weighted in item 9.b, column Q—1250% risk weight.) [For a bank subject to Category III or Category IV standards that is subject to the transition requirements in §.300\(a\) of the regulatory capital rules, unrealized gains and losses include the applicable transition adjustment in Table 1 to §.300\(a\).](#)
- If the bank uses the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach to risk weight an on-balance sheet securitization exposure, the bank will report in column B the same amount that it reported in column A.

For item 10 of Schedule RC-R, Part II, the amount a reporting bank should report in column B also will depend upon the risk-weighting approach it uses to risk weight its securitization exposures. If a bank uses the 1,250 percent risk weight approach to risk weight an off-balance sheet securitization exposure, the bank will report in column B any difference between the notional amount of the off-balance sheet securitization exposure that is reported in column A and its exposure amount. If the bank uses the SSFA or the Gross-Up Approach to risk weight an off-balance sheet securitization exposure, the bank will report in column B the same amount that it reported in column A. An example is presented in the instructions for Schedule RC-R, Part II, item 10. For item 10 of Schedule RC-R, Part II, the sum of columns B through Q must equal the amount of the off-balance sheet securitization exposures reported in column A.

For items 12 through 21 of Schedule RC-R, Part II, column B should include the credit equivalent amounts of the reporting bank's derivative contracts and off-balance sheet items that are covered by the regulatory capital rules. For the off-balance sheet items in items 12 through 19, the credit equivalent amount to be reported in column B is calculated by multiplying the face, notional, or other amount reported in column A by the appropriate credit conversion factor. The credit equivalent amounts in column B are to be allocated to the appropriate risk-weight categories in columns C through J (or to the securitization exposure collateral category in column R, if applicable). For items 12 through 21 of Schedule RC-R, Part II, the sum of columns C through J (plus column R, if applicable) must equal the credit equivalent amount reported in column B.

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)***Adjusted carrying value*

The adjusted carrying value of an equity exposure is equal to:

- **On-balance sheet equity exposure:** The carrying value of the exposure.
- **Off-balance sheet portion of an equity exposure (that is not an equity commitment):** The effective notional principal amount¹ of the exposure minus the adjusted carrying value of the on-balance sheet component of the exposure.

For an equity commitment (a commitment to purchase an equity exposure), the effective notional principal amount must be multiplied by the following credit conversion factors: 20 percent for conditional equity commitments with an original maturity of one year or less, 50 percent for conditional equity commitments with an original maturity of more than one year, and 100 percent for unconditional equity commitments.

Equity exposure risk-weighting methodologies

(1) Simple Risk-Weight Approach: Must be used for all types of equity exposures that are not equity exposures to a mutual fund or other investment fund. Under this approach, banks must determine the risk-weighted asset amount of an individual equity exposure by multiplying (1) the adjusted carrying value of the exposure or (2) the effective portion and ineffective portion of a hedge pair by the lowest possible risk weight below:

- *Zero percent risk weight:* An equity exposure to a sovereign, Bank for International Settlements, the European Central Bank, the European Commission, the International Monetary Fund, the European Stability Mechanism, the European Financial Stability Facility, a multilateral development bank (MDB), and any other entity whose credit exposures receive a zero percent risk weight under §.32 of the regulatory capital rules.
- *20 percent risk weight:* An equity exposure to a public sector entity, Federal Home Loan Bank, and the Federal Agricultural Mortgage Corporation (Farmer Mac).
- *100 percent risk weight:* Equity exposures to:
 - Certain qualified community development investments,
 - The effective portion of hedge pairs,
 - For ~~non-advanced approaches institutions~~ **institutions not subject to the expanded risk-based approach:** Equity exposures, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the bank must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds), and

¹ The regulatory capital rules define the “effective notional principal amount” as an exposure of equivalent size to a hypothetical on-balance sheet position in the underlying equity instrument that would evidence the same change in fair value (measured in dollars) given a small change in the price of the underlying equity instrument.

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)**

- For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach: Non-significant equity exposures, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the bank must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds).
 - *250 percent risk weight*: For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach only: Significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted from capital.
 - *300 percent risk weight*: Publicly traded equity exposures.
 - *400 percent risk weight*: Equity exposures that are not publicly traded.
 - *600 percent risk weight*: An equity exposure to an investment firm, provided that the investment firm would (1) meet the definition of *traditional securitization* in §.2 of the regulatory capital rules were it not for the application of paragraph (8) of the definition and (2) has greater than immaterial leverage.
- (2) Full look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, banks calculate the aggregate risk-weighted asset amounts of the carrying value of the exposures held by the fund as if they were held directly by the bank multiplied by the bank's proportional ownership share of the fund.
- (3) Simple modified look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, risk-weighted assets for an equity exposure is equal to the exposure's adjusted carrying value multiplied by the highest risk weight that applies to any exposure the fund is permitted to hold under the prospectus, partnership agreement, or similar agreement that defines the funds permissible investments.
- (4) Alternative modified look-through approach: Used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, banks may assign the adjusted carrying value on a pro rata basis to different risk-weight categories based on the limits in the fund's prospectus, partnership agreement, or similar contract that defines the fund's permissible investments.

Treatment of Sales of 1-4 Family Residential First Mortgage Loans with Credit-Enhancing Representations and Warranties

When a bank transfers mortgage loans with credit-enhancing representations and warranties in a transaction that qualifies for sale accounting under GAAP, the bank will need to report and risk weight those exposures. The definition of *credit-enhancing representations and warranties* (CERWs) is found in §.2 of the regulatory capital rules. Many CERWs should be treated as securitization exposures for

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)**

exposure reported in Schedule RC, item 11), less any net unrealized gains on the exposure and plus any net unrealized losses on the exposure. For a bank subject to Category III or Category IV standards that is subject to the transition requirements in §.300(a) of the regulatory capital rules, unrealized gains and losses used to determine the exposure amount include the applicable transition adjustment in Table 1 to §.300(a).

The exposure amount of an off-balance sheet securitization exposure that is not a repo-style transaction, an eligible margin loan, a cleared transaction (other than a credit derivative), an OTC derivative contract (other than a credit derivative), or an exposure to an asset-backed commercial paper (ABCP) program is the notional amount of the exposure.

For an off-balance sheet securitization exposure to an ABCP program, such as an eligible ABCP liquidity facility, the notional amount may be reduced to the maximum potential amount that the bank could be required to fund given the ABCP program's current underlying assets (calculated without regard to the current credit quality of those assets). An exposure amount of an eligible ABCP liquidity facility for which the SSFA does not apply is calculated by multiplying the notional amount of the exposure by a credit conversion factor (CCF) of 50 percent. An exposure amount of an eligible ABCP liquidity facility for which the SSFA does apply is calculated by multiplying the notional amount of the exposure by a CCF of 100 percent.

The exposure amount of a securitization exposure that is a repo-style transaction, eligible margin loan, or derivative contract (other than a credit derivative) is the exposure amount of the transaction as calculated using the instructions for calculating the exposure amount of OTC derivatives or collateralized transactions outlined in §.34, §.432113, or §.37 of the regulatory capital rules.

If a bank has multiple securitization exposures that provide duplicative coverage to the underlying exposures of a securitization, the bank is not required to hold duplicative risk-based capital against the overlapping position. Instead, the bank may apply to the overlapping position the applicable risk-based capital treatment that results in the highest risk-based capital requirement.

If a bank provides support to a securitization in excess of the bank's contractual obligation to provide credit support to the securitization (implicit support) it must include in risk-weighted assets all of the underlying exposures associated with the securitization as if the exposures had not been securitized and must deduct from common equity tier 1 capital any after-tax gain-on-sale resulting from the securitization.

b. Simplified Supervisory Formula Approach

To use the SSFA to determine the risk weight for a securitization exposure, a bank must have data that enables it to accurately assign the parameters. The data used to assign the parameters must be the most currently available data and no more than 91 calendar days old. A bank that does not have the appropriate data to assign the parameters must assign a risk weight of 1,250 percent to the exposure. See the operational requirements outlined in §.43 of the regulatory capital rules for further instructions.

To calculate the risk weight for a securitization exposure using the SSFA, a bank must have accurate information on the following five inputs to the SSFA calculation:

- Parameter K_G is the weighted-average total capital requirement for *all* underlying exposures calculated using the standardized approach (with unpaid principal used as the weight for each exposure). Parameter K_G is expressed as a decimal value between zero and one (e.g., an average risk weight of 100 percent represents a value of K_G equal to .08). "Underlying exposures" is defined in the regulatory capital rules to mean one or more exposures that have been securitized in a securitization transaction. In this regard, underlying exposures means all exposures, including performing and nonperforming exposures. Thus, for example, for a pool of underlying corporate exposures that have been securitized, where 95 percent of the pool is performing (and qualify for a risk weight of 100 percent) and 5 percent of the pool is past due

Part II. (cont.)

General Instructions for Schedule RC-R, Part II. (cont.)

In the case where a bank has a securitization exposure with a balance sheet value of \$100, it would report \$100 in both columns A and B. If the bank applies the SSFA and calculates a risk-weighted asset exposure of \$20 for that securitization, the bank would report \$20 in column T. Since it is using the SSFA for all its securitization exposures, the bank must report \$0 in column U.

	(Column A) Totals	(Column B) Adjustments to Totals Reported in Column A	(Column Q)	(Column T)	(Column U)	
			Exposure Amount	Total Risk-Weighted Asset Amount by Calculation Methodology		
			1250%	SSFA	Gross-Up	
9. On-balance sheet securitization exposures						
a. Held-to-maturity securities	\$100	\$100	\$0	\$20	\$0	9.a.

A bank, at its discretion, could also use both the 1,250 percent risk weight for some securitization exposures and either the SSFA or Gross-Up Approach for other securitization exposures. For example, Bank Z has three securitization exposures, each valued at \$100 on the balance sheet. Bank Z chooses to apply the 1,250 percent risk weight to one exposure and use the Gross-Up Approach to calculate risk-weighted assets for the other two exposures. Assume that the risk-weighted asset amount under the Gross-Up Approach is \$20 for each exposure.

The bank would report the following:

	(Column A) Totals	(Column B) Adjustments to Totals Reported in Column A	(Column Q)	(Column T)	(Column U)	
			Exposure Amount	Total Risk-Weighted Asset Amount by Calculation Methodology		
			1250%	SSFA	Gross-Up	
9. On-balance sheet securitization exposures						
a. Held-to-maturity securities	\$300	\$200	\$100	\$0	\$40	9.a.

The \$200 reported under column B reflects the balance sheet amounts of the two securitization exposures risk weighted using the Gross-Up Approach. This ensures that the sum of columns B and Q continues to equal the amount reported in column A. The \$40 under column U reflects the risk-weighted asset amount of the sum of the two securitization exposures that were risk weighted using the Gross-Up Approach. This \$40 is included in risk-weighted assets before deductions in item 28 of Schedule RC-R, Part II.

Banks That Are Subject to the Market Risk Capital Rule

The banking agencies' regulatory capital rules require all banks with significant market risk to measure their market risk exposure and hold sufficient capital to mitigate this exposure. In general, a bank is subject to the market risk capital rule if it is (i) a subsidiary of a holding company subject to eCategory I, eCategory II, eCategory III or eCategory IV standards, provided that the bank has engaged in trading activity over any of the four most recent quarters; or (ii) its consolidated aggregate trading activity, defined as the sum of trading assets and liabilities as reported in its Call Report on average for the previous four most recent quarters, equals: (1) 10 percent or more of the bank's total assets as reported in its Call Report for the previous quarter, or (2) \$4.5 billion or more. However, a bank's primary federal supervisory authority may exempt or include the bank if necessary or appropriate for safe and sound banking practices.

A bank that is subject to the market risk capital rule must hold capital to support its exposure to general market risk arising from fluctuations in interest rates, equity prices, foreign exchange rates, and commodity prices and its exposure to specific risk associated with certain debt and equity positions.

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)**

A market risk covered position is a trading asset or trading liability (whether on- or off-balance sheet), as reported on Schedule RC-D, that is a trading position, a position held for ~~any of~~ the following reasons:

- ~~(1) Regular dealing or making a market in securities or other instruments; or
For the purpose of short-term resale;
(2) With the intent of benefiting from actual or expected short-term price movements;
(3) To lock in arbitrage profits; or~~
- 1) For the purpose of short-term resale;
(2) With the intent of benefiting from actual or expected short-term price movements;
(3) To lock in arbitrage profits; or
(4) ~~(2)~~ To hedge another market risk covered position.

~~Covered positions include all positions in a bank's trading account and foreign exchange and commodity positions, whether or not in the trading account. Covered positions generally should not be risk-weighted as part of the bank's credit risk-weighted assets. However, foreign exchange positions that are outside of the trading account and all over-the-counter derivatives as well as cleared transactions and unsettled transactions continue to have a counterparty credit risk capital charge. Those positions are included in both risk-weighted assets for credit risk and the bank's covered positions for market risk.~~

Additionally, the trading asset or trading liability must be free of any restrictive covenants on its tradability or the bank must be able to hedge the material risk elements of the trading asset or trading liability in a two-way market. A market risk covered position also includes a foreign exchange or commodity position, the following regardless of whether the position is a trading asset or trading liability ~~(excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions)~~, and hedges of such positions:

- ~~(1) a foreign exchange or commodity position (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions and eligible CVA hedges that mitigate the exposure component of CVA risk).
(2) A publicly traded equity position or an equity position in an investment fund (except as excluded below)
(3) Net short risk positions of \$20 million or more;
(4) Embedded derivatives on instruments that the bank issued that relate to credit or equity risk that it bifurcates for accounting purposes;
(5) The trading desk segment of an eligible internal risk transfer of credit risk or of interest rate risk as described in section .205(h)(1)(i) or (ii) of the market risk rule;
(6) A position arising from a transaction between a trading desk and an external party conducted as part of an internal risk transfer described in section 205(h) of the market risk rule;
(7) The trading desk segment of an internal risk transfer of CVA risk;
(8) The CVA segment of an internal risk transfer that is not an eligible CVA hedge; and
(9) A CVA hedge with an external party that is not an eligible CVA hedge.~~

A market risk covered position does not include:

- ~~(1) An intangible asset (including any servicing asset);
(2) A hedge of a trading position that is outside the scope of the bank's hedging strategy (required by the market risk capital rule);
(3) Any position that, in form or substance, acts as a liquidity facility that provides support to ABCP;
(4) A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the regulatory capital rules for credit risk;
(5) An equity position that is not publicly traded (other than a derivative that references a publicly traded equity);
(6) A position held with the intent to securitize; or
(7) A direct real estate holding.~~

~~A bank subject to the market risk capital rule must maintain an overall minimum 8.0 percent ratio of total qualifying capital (the sum of Tier 1 capital and Tier 2 capital, net of all deductions) to the sum of risk-weighted assets and market risk-weighted assets. Banks should refer to the regulatory capital rules of their primary federal supervisory authority for specific instructions on the calculation of the measure for market risk.~~

- ~~(1) An intangible asset (including any servicing asset);~~
- ~~(2) A hedge of a trading position that is outside the scope of the bank's hedging strategy;~~
- ~~(3) Any position that, in form or substance, acts as a liquidity facility that provides support to asset-backed commercial paper;~~
- ~~(4) A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the regulatory capital rules for credit risk;~~
- ~~(5) An equity position that is publicly traded with restrictions on transferability or is not publicly traded and not an equity position in an investment fund (other than a derivative that references a publicly traded equity);~~
- ~~(6) An equity position in an investment fund that does not meet the criteria for a market risk covered position in section 202 of the market risk rule;~~
- ~~(7) A position held with the intent to securitize; or~~
- ~~(8) A direct real estate holding;~~
- ~~(9) A derivative instrument or an exposure to a fund that has material exposure to the instrument types described in (1) through (8) as underlying assets;~~
- ~~(10) A debt security, for which the bank elects the fair value option for purposes of asset and liability management;~~
- ~~(11) A significant investment in the capital of unconsolidated financial institutions in the form of common stock that is not deducted from capital pursuant to section 22(c)(6) of the capital rule;~~
- ~~(12) An instrument held for the purpose of hedging a particular risk of a position in the types of instruments described in (1) through (11); or~~
- ~~(13) An eligible CVA hedge with an external party or the CVA segment of an internal risk transfer that is an eligible CVA hedge; or~~
- ~~(14) An equity position arising from deferred compensation plans, employee stock ownership plans, and retirement plans.~~

Adjustments for Financial Subsidiaries

Section 121 of the [Gramm-Leach-Bliley Act](#) allows national banks and insured state banks to establish entities known as financial subsidiaries. (Savings associations are not authorized under the Gramm-Leach-Bliley Act to have financial subsidiaries.) One of the statutory requirements for establishing a financial subsidiary is that a national bank or insured state bank must deduct any investment in a financial subsidiary from the bank's assets and tangible equity. Therefore, under the revised regulatory capital rules, a bank must deduct the aggregate amount of its outstanding equity investment in a financial subsidiary, including the retained earnings of the subsidiary, from its common equity tier 1 capital elements in Schedule RC-R, Part I, item 10.b. In addition, the assets and liabilities of the subsidiary may not be consolidated with those of the parent bank for regulatory capital purposes.

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)**

Under the agencies' regulatory capital rules, in general, an institution must calculate the trade exposure amount for a cleared derivative contract, or a netting set of such contracts, by using the methodology described in §.34 of the rules to determine (i) the current credit exposure and (ii) the potential future exposure (PFE) of the derivative contract or netting set of such contracts for purposes of the standardized approach risk-based capital calculation ~~and the supplementary leverage ratio calculation~~ when using the Current Exposure Method (CEM) or by using the methodology described in §.432-113 of the regulatory capital rules to determine (i) the replacement cost and (ii) the PFE of the derivative contract or netting set of such contracts for purposes of the standardized approach risk-based capital calculation and the supplementary leverage ratio calculations when using SA-CCR. The risk-weighted asset calculations under the ~~expanded risk-based approach advanced approaches~~ capital framework have similar requirements. Under CEM, current credit exposure is determined by reference to the fair value of each derivative contract as measured under U.S. GAAP. PFE is determined, in part, by multiplying each derivative contract's notional principal amount by a conversion factor. The conversion factors vary by the category (for example, interest rate, equity) and remaining maturity of the derivative contract.¹

Under SA-CCR, the determination of the replacement cost depends on whether the counterparty to a banking organization is required to post variation margin. The replacement cost for a netting set that is not subject to a variation margin agreement is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts, or (2) zero. For a netting set that is subject to a variation margin agreement where the counterparty is required to post variation margin, replacement cost is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the sum of the net independent collateral amount and the variation margin amount applicable to such derivative contracts; (2) the sum of the variation margin threshold and the minimum transfer amount applicable to the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts; or (3) zero. The SA-CCR PFE is equal to the product of the PFE multiplier and the aggregated amount. To determine the aggregated amount, a banking organization is required to determine the hedging set amounts for the derivative contracts within a netting set, where a hedging set is comprised of derivative contracts that share similar risk factors based on asset class (e.g., interest rate, exchange rate, credit, equity, and commodity).

The regulatory capital rules provide that, for a derivative contract that is structured such that on specified dates any outstanding exposure is settled and the terms are reset so that the fair value of the contract is zero, the remaining maturity equals the time until the next reset date.

For the purpose of the regulatory capital rules, the August 2017 supervisory guidance states that if, after accounting and legal analysis, an institution determines that (i) the variation margin payment on a centrally cleared settled-to-market contract settles any outstanding exposure on the contract, and (ii) the terms are reset so that the fair value of the contract is zero, the remaining maturity on such a contract would equal the time until the next exchange of variation margin on the contract. In conducting its legal analysis to determine whether variation margin may be considered settlement of outstanding exposure under the regulatory capital rules, an institution should evaluate whether the transferor of the variation margin has relinquished all legal claims to the variation margin and whether the payment of variation margin constitutes settlement under the central counterparty's rulebook, any other applicable agreements governing the derivative contract, and applicable law. Among other requirements, a central counterparty's rulebook may require an institution to satisfy additional obligations, such as payment of other expenses and fees, in order to recognize payment of variation margin as satisfying settlement under the rulebook. The legal and accounting analysis performed by the institution should take all such requirements into account.

¹ See the instructions for Schedule RC-R, Part II, item 21, "Centrally cleared derivatives," for a chart of the conversion factors.

Part II. (cont.)**General Instructions for Schedule RC-R, Part II. (cont.)**

When using the SA-CCR method, a banking organization may elect to treat settled-to-market derivatives contracts as subject to a variation margin agreement and receive the benefits of netting with collateralized-to-market derivative contracts. If a banking organization elects to treat settled-to-market derivative contracts as subject to a variation margin agreement, it must apply the maturity factor to such contracts under §. ~~432113~~(ei)(94)(iv)(A) of the rules. The maturity factor of a derivative contract that is subject to a variation margin agreement, excluding derivative contracts that are subject to a variation margin agreement under which the counterparty is not required to post variation margin, is determined by the following formula:

$$\text{Maturity factor} = \frac{3}{2} \sqrt{\frac{\text{MPOR}}{250}},$$

where MPOR refers to the period from the most recent exchange of collateral under a variation margin agreement with a defaulting counterparty until the derivative contracts are closed out and the resulting market risk is re-hedged.

Institutions should refer to the August 2017 supervisory guidance in its entirety for purposes of determining the appropriate regulatory capital treatment of settled-to-market contracts under the regulatory capital rules.

Treatment of FDIC Loss-Sharing Agreements

Loss-sharing agreements entered into by the FDIC with acquirers of assets from failed institutions are considered conditional guarantees for risk-based capital purposes due to contractual conditions that acquirers must meet. The guaranteed portion of assets subject to a loss-sharing agreement may be assigned a 20 percent risk weight. Because the structural arrangements for these agreements vary depending on the specific terms of each agreement, institutions should consult with their primary federal regulator to determine the appropriate risk-based capital treatment for specific loss-sharing agreements.

Allocated Transfer Risk Reserve (ATRR)

If the reporting bank is required to establish and maintain an ATRR as specified in Section 905(a) of the International Lending Supervision Act of 1983, the ATRR should be reported in Schedule RC-R, Part II, item 30. The ATRR is not eligible for inclusion in either tier 1 or tier 2 capital.

Any ATRR related to loans and leases held for investment is included on the balance sheet in Schedule RC, item 4.c, "Allowance for loan and lease losses," and separately disclosed in Schedule RI-B, part II, Memorandum item 1. However, if the bank must maintain an ATRR for any asset other than a loan or lease held for investment, the balance sheet category for that asset should be reported net of the ATRR on Schedule RC. In this situation, the ATRR should be reported as a negative number (i.e., with a minus (-) sign) in column B, "Adjustments to totals reported in Column A," of the corresponding asset category in Schedule RC-R, Part II, items 1 through 4 and 7 through 9. The amount to be risk weighted for this asset in columns C through Q, as appropriate, would be its net carrying value plus the ATRR. For example, a bank has an HTM security issued by a foreign commercial company against which it has established an ATRR of \$20. The security, net of the ATRR, is included in Schedule RC, item 2.a, "Held-to-maturity securities," at \$80. The security should be included in Schedule RC-R, Part II, item 2.a, column A, at \$80. The bank should include \$-20 in Schedule RC-R, item 2.a, column B, and \$100 in item 2.a, column I.

Part II. (cont.)**Item No. Caption and Instructions****2.a**
(cont.)

earnings in accordance with ASC Topic 320, Investments-Debt Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”). Thus, for an HTM security with such an unrealized gain (loss), report in column B any difference between the carrying value of the security reported in column A of this item and its exposure amount reported under the appropriate risk weighting column C through J.

- *In column B for ~~non-advanced approaches institutions~~ institutions not subject to the deductions and adjustments requirements under the expanded risk-based approach, include the amount of:

 - Investments in the capital of unconsolidated financial institutions in the form of tier 2 capital that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item 45.*
- *In column B for ~~advanced approaches institutions~~ institutions subject to the deductions and adjustments requirements under the expanded risk-based approach, include the amount of:

 - Non-significant investments in tier 2 capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item 45.
 - Significant investments in the capital and covered debt instruments of unconsolidated financial institutions in the form of tier 2 capital that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part I, item 45.
 - For ~~advanced approaches institutions~~ institutions subject to the deductions and adjustments requirements under the expanded risk-based approach, investments in nonqualifying excluded covered debt instruments that are reported in Schedule RC, item 2.a, and have been deducted from capital in Schedule RC-R, Part 1, item 17, item 24, and item 45.*
- For an institution that has adopted the current expected credit losses methodology (CECL), include as a negative number in column B:
 - The portion of Schedule RI-B, Part II, item 7, column B, “Balance end of current period” for HTM debt securities that relates to HTM securities reported in column A of this item, less
 - The portion of Schedule RC-R, Part II, Memorandum item 4.b, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for HTM debt securities that relates to purchased credit-deteriorated HTM securities reported in column A of this item.

For example, if an institution reports \$100 in Schedule RI-B, Part II, item 7, column B, and \$10 in Schedule RC-R, Part II, Memorandum item 4.b, the institution would report (\$90) in this column B.
- *In column C—0% risk weight.* The zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for the zero percent risk weight. Also include the exposure amount of HTM debt securities purchased through the Money Market Mutual Fund Liquidity Facility. Include the exposure amounts of securities reported in Schedule RC-B, column A, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such securities may include portions of, but may not be limited to:

Part II. (cont.)**Item No. Caption and Instructions****2.b**
(cont.)

- a. \$105 in column A. This is the carrying value of the AFS debt security on the bank's balance sheet.
 - b. \$5 in column B. This is the difference between the carrying value (i.e., fair value) of the debt security and its exposure amount that is subject to risk weighting. For a bank that has made the AOCI opt-out election, column B will typically represent the amount of the unrealized gain or unrealized loss on the security. Gains are reported as positive numbers; losses as negative numbers. (Note: If the bank has not made or cannot make the opt-out election, there will be no adjustment to be reported in column B.)
 - c. \$100 is the exposure amount subject to risk weighting. This amount will be reported under the appropriate risk weight associated with the exposure (columns C through J). For a bank that has made the opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the debt security excluding any unrealized gain or loss.
- *In column B*, for a bank that has made the AOCI opt-out election, no amount should be included for equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values that are reported in Schedule RC-R, Part II, item 2.b, column A.
 - *In column B* for ~~non-advanced approaches institutions~~ *institutions not subject to the deductions and adjustments requirements under the expanded risk-based approach*, include the amount of investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 2.c, and have been deducted from capital in Schedule RC-R, Part I, item 13.a, item 24, and item 45 on the FFIEC 031; item 13, item 17, item 24, and item 45 on the FFIEC 041.
 - *In column B* for ~~advanced approaches institutions~~ *institutions subject to the deductions and adjustments requirements under the expanded risk-based approach*, include the amount of:
 - Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 2.c, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 17, item 24, and item 45 on the FFIEC 031.
 - Significant investments in the capital of unconsolidated financial institutions and covered debt instruments not in the form of common stock that are reported in Schedule RC, item 2.c, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24 and item 45 on the FFIEC 031.
 - Investments in nonqualifying excluded covered debt instruments that are reported in Schedule RC, item 2.c, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24 and item 45.
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock reported in Schedule RC, item 2.c, that are subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations and have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.b and 16.

Part II. (cont.)**Item No. Caption and Instructions****2.b**
(cont.)

- Any securities reported as “structured financial products” in Schedule RC-B, item 5.b, that are not securitization exposures and qualify for the 100 percent risk weight.
Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule RC-R, Part II, item 9.b, for purposes of calculating risk-weighted assets.
- The portion of any exposure reported in Schedule RC, item 2.b, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
- All other AFS debt securities that do not qualify as securitization exposures reported in Schedule RC, item 2.b, that are not included in columns C through H, J through N, or R.

For ~~non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach, also include in *column I–100% risk weight* the exposure amounts of publicly traded equity exposures with readily determinable fair values and equity exposures to investment funds with readily determinable fair values (including mutual funds) reported in Schedule RC, item 2.c, to the extent that the aggregate carrying value of the bank’s equity exposures does not exceed 10 percent of total capital. If the bank’s aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report the exposure amount of its equity exposures to investments funds with readily determinable fair values (including mutual funds) in column R (and the risk-weighted asset amount of such equity exposures in column S) and the exposure amount of its other equity exposures with readily determinable fair values in either columns L or N, as appropriate.

For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, also include in *column I–100% risk weight* non-significant equity exposures, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the bank must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds).

- *In column J–150% risk weight*, include the exposure amounts of securities reported in Schedule RC-B, column C, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

Part II. (cont.)**Item No. Caption and Instructions**

- 2.b
(cont.)
- *In column K—250% risk weight, for ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach only, include the portion that does not qualify as a securitization exposure of Schedule RC, item 2.c, that represents the adjusted carrying value of exposures that are significant investments in the common stock of unconsolidated financial institutions that are not deducted from capital. For further information on the treatment of equity exposures, refer to §.51 to §.53 of the regulatory capital rules.*
 - *In column L—300% risk weight, for publicly traded equity securities with readily determinable fair values reported in Schedule RC, item 2.c (except equity securities to investment firms), include the fair value of these equity securities as reported in Schedule RC, item 2.c.*
 - *In column N—600% risk weight, for equity securities to investment firms with readily determinable fair values reported in Schedule RC, item 2.c, include the fair value of these equity securities as reported in Schedule RC, item 2.c.*
 - *In columns R and S—Application of Other Risk-Weighting Approaches, include the bank's equity exposures to investment funds with readily determinable fair values (including mutual funds) reported in Schedule RC, item 2.c, if the aggregate carrying value of the bank's equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of "Treatment of Equity Exposures" in the General Instructions for Schedule RC-R, Part II.*
 - *Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading that must be risk weighted according to the Country Risk Classification (CRC) methodology*
 - *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these exposures to*

Part II. (cont.)**Item No. Caption and Instructions**

- 5.a** Exclude from this item:
- (cont.)
- Loans HFI secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
 - 1-4 family residential construction loans HFI reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures,
- These loans should be reported in Schedule RC-R, Part II, item 5.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFI loans should be reported in Schedule RC-R, Part II, item 5.d.
- *In column B*, an institution that has adopted the current expected credit losses methodology (CECL) should include as a positive number the portion of Schedule RC-R, Part II, Memorandum item 4.a, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment that are applicable to purchased credit-deteriorated residential mortgage exposures.
 - *In column C—0% risk weight*, include the portion of any HFI exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans HFI collateralized by deposits at the reporting institution.
 - *In column G—20% risk weight*, include the carrying value of the guaranteed portion of FHA and VA mortgage loans HFI included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans HFI covered by an FDIC loss-sharing agreement.
 - *In column H—50% risk weight*, include the carrying value of loans HFI secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of \$1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured (1) solely pursuant to the U.S. Treasury’s Home Affordable Mortgage Program (HAMP) or (2) consistent with the agencies’ April 7, 2020, interagency statement¹, solely due to short-term modifications of 1-4 family residential mortgages made on a good faith basis in response to the Coronavirus Disease 2019 (COVID-19), provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status)). Also include loans HFI that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules.

¹ As discussed in the April 7, 2020, [Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus \(Revised\)](#), [Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus \(Revised\)](#), Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act provides financial institutions the option to temporarily suspend certain requirements under

Part II. (cont.)**Item No. Caption and Instructions**

- 5.d**
(cont.)
- All other loans and leases HFI that must be risk weighted according to the Country Risk Classification (CRC) methodology
 - *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II:*
 - The carrying value of other loans and leases HFI reported in Schedule RC, item 4.b, that are not reported in Schedule RC-R, Part II, items 5.a through 5.c above.

6 **LESS: Allowance for loan and lease losses.** Report in columns A and B the balance of the allowance for loan and lease losses or the allowance for credit losses on loans and leases, as applicable, reported in Schedule RC, item 4.c.

7 **Trading assets.** Report in column A the fair value of trading assets reported in Schedule RC, item 5, excluding those trading assets that are securitization exposures, as defined in §.2 of the regulatory capital rules.

The fair value of those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures must be reported in Schedule RC-R, Part II, item 9.c, column A. The sum of Schedule RC-R, Part II, items 7 and 9.c, column A, must equal Schedule RC, item 5.

If the bank is subject to the market risk capital rule, include in column B the fair value of all trading assets that are market risk covered positions as defined in Schedule RC-R, Part II, item 27 (except those trading assets that are both securitization exposures and market risk covered positions, which are excluded from column A of this item 7 and are to be reported instead in Schedule RC-R, Part II, item 9.c, column A). The bank will report its standardized market risk-weighted assets in Schedule RC-R, Part II, item 27.

For banks not subject to the market risk capital rule and for those trading assets reported in column A that are held by banks subject to the market risk capital rule and do not meet the definition of a market risk covered position:

- *In column B, if the bank completes Schedule RC-D, include the fair value of derivative contracts that are reported as assets in Schedule RC-D, item 11. If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of derivative contracts that are assets. Exclude from column B those derivative contracts reported in these items that qualify as securitization exposures. For purposes of risk weighting, include the credit equivalent amounts of these derivatives, determined in accordance with the regulatory capital rules, in the risk-weight categories in Schedule RC-R, Part II, items 20 and 21, as appropriate. Do not risk weight these derivatives in this item.*

In column B for ~~non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach, include the amount of:

- Investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 13.a, item 17, item 24, and item 45 on the FFIEC 031; item 13, item 17, item 24, and item 45 on the FFIEC 041.

Part II. (cont.)**Item No. Caption and Instructions**

- 7
(cont.)
- In column B for ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, include the amount of:*
- Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 17, item 24, and item 45 on the FFIEC 031.
 - Investments in nonqualifying excluded covered debt instruments that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24, and item 45.
 - Significant investments in the capital and covered debt instruments of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 5, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24, and item 45 on the FFIEC 031.
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock reported in Schedule RC, item 5, that are subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations and have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.b and 16, column B, on the FFIEC 031.
- Also include in column B the fair value of any unsettled transactions (failed trades) that are reported as trading assets in Schedule RC, item 5. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.
- *In column C—0% risk weight, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such trading assets may include portions of, but may not be limited to:*
 - Item 1, "U.S. Treasury securities,"
 - The portion of the amount reported in item 2 that represents the fair value of securities issued by U.S. Government agencies, and
 - The portion of the amounts reported in item 4 that represents the fair value of mortgage-backed securities (MBS) guaranteed by GNMA.
 - If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding types of securities. Exclude those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and report them in Schedule RC-R, Part II, item 9.c.
 - Include the fair value of assets purchased through the Money Market Mutual Fund Liquidity Facility that are held for trading.
 - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans held for trading and the portion of trading assets collateralized by deposits at the reporting institution.
 - *In column G—20% risk weight, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such trading assets may include portions of, but may not be limited to:*
 - The portion of the amount reported in item 2 that represents the fair value of securities issued by U.S. Government-sponsored agencies,
 - The portion of the amount reported in item 3 that represents the fair value of general obligations issued by states and political subdivisions in the United States,
 - The portion of the amount reported in item 4 that represents the fair value of MBS issued by FNMA and FHLMC.

Part II. (cont.)

Item No. Caption and Instructions

- 7
(cont.)
- For ~~non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach, also include the fair value of publicly traded and not publicly traded equity exposures and equity exposures to investment funds (including mutual funds) reported in Schedule RC, item 5, to the extent that the aggregate carrying value of the bank's equity exposures does not exceed 10 percent of total capital. If the bank's aggregate carrying value of equity exposures is greater than 10 percent of total capital, the bank must report its trading equity exposures in columns L, M, or N, as appropriate.
 - For ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach, also include the fair value of non-significant equity exposures reported in Schedule RC, item 5, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the bank must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds).
 - *In column J—150% risk weight, include:*
 - The exposure amounts of trading assets reported in Schedule RC, item 5, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
 - The fair value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules, included in Schedule RC, item 5, excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
 - *In column K—250% risk weight, for ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach only, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D, item 9, that do not qualify as securitization exposures that represent exposures that are significant investments in the common stock of unconsolidated financial institutions that are not deducted from capital. For further information on the treatment of equity exposures, refer to §.51 to .53 of regulatory capital rules. If the bank does not complete Schedule RC-D, include the portion of the amount reported in Schedule RC, item 5, that represents the fair value of the preceding type of trading assets.*
 - *In column L—300% risk weight, if the bank completes Schedule RC-D, include the fair value of those trading assets reported in Schedule RC-D, item 9, that do not qualify as securitization exposures that represent publicly traded equity securities with readily determinable fair values. (NOTE: Certain investments in mutual funds reported in*

Part II. (cont.)**Item No. Caption and Instructions**

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(cont.) AOCI as part of the initial incremental effect of applying ASC Topic 715 should be reported in this item as a negative amount in column B and as a positive amount in column I. As another example, the portion of a benefit plan surplus asset that is included in Schedule RC, item 26.b, as an increase to AOCI and in column A of this item should be excluded from risk-weighted assets by reporting the amount as a positive number in column B of this item.

- *In column B for all institutions*, include the amount of:
 - Any goodwill reported in Schedule RC-M, item 2.b, without regard to any associated DTLs;
 - Intangible assets (other than goodwill and mortgage servicing assets (MSAs)) reported as a deduction from common equity tier 1 capital in Schedule RC-R, Part I, item 7, without regard to any associated DTLs;
 - Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs reported in Schedule RC-R, Part I, item 8;
 - The fair value of over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) and derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) that are reported as assets in Schedule RC, item 11 (banks should risk weight the credit equivalent amount of these derivative contracts in Schedule RC-R, Part II, item 20 or 21, as appropriate); and
 - Note: The fair value of derivative contracts reported as assets in Schedule RC, item 11, that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules should not be reported in column B. Such derivative contracts include written option contracts, including so-called “derivative loan commitments,” i.e., a lender’s commitment to originate a mortgage loan that will be held for resale. The fair value of such derivative contracts should be reported in the appropriate risk-weight category in this item 8.
 - Unsettled transactions (failed trades) that are reported as “Other assets” in Schedule RC, item 11. For purposes of risk weighting, unsettled transactions are to be reported in Schedule RC-R, Part II, item 22.
- *In column B for ~~non-advanced approaches institutions~~ institutions not subject to the expanded risk-based approach*, also include the amount of:
 - Investments in the capital of unconsolidated financial institutions that are reported in Schedule RC, item 8 or item 11, and have been deducted from capital in Schedule RC-R, Part I, item 13.a, item 24, and item 45 on the FFIEC 031; item 13, item 24, and item 45 on the FFIEC 041; and
 - Items subject to the 25 percent common equity tier 1 capital threshold limitation that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.a, 14.a, and 15.a on the FFIEC 031; items 13 through 15 on the FFIEC 041. These excess amounts pertain to three items:
 - Investments in the capital of unconsolidated financial institutions;
 - MSAs; and
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

Part II. (cont.)**Item No. Caption and Instructions**

- 8 • *In column B for ~~advanced approaches institutions~~ institutions subject to the deductions and adjustments requirements under the expanded risk-based approach, also include the amount of:*
- (cont.) ○ Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule RC, item 8 or 11, and have been deducted from capital in Schedule RC-R, Part I, item 11, item 17, item 24, and item 45 on the FFIEC 031.
- Investments in nonqualifying excluded covered debt instruments that are reported in Schedule RC, item 8 or 11, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24, and item 45.
- Significant investments in the capital and covered debt instruments of unconsolidated financial institutions not in the form of common stock that are reported in Schedule RC, item 8 or 11, and have been deducted from capital in Schedule RC-R, Part I, item 17, item 24, and item 45 on the FFIEC 031.
- Items subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule RC-R, Part I, items 13.b, 14.b, 15.b, and 16 on the FFIEC 031. These excess amounts pertain to three items:
- Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
 - MSAs; and
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

An institution that has adopted the current expected credit losses methodology (CECL) should report as a negative number in column B:

- The portion of Schedule RI-B, Part II, Memorandum item 6, “Allowance for credit losses on other financial assets measured at amortized cost,” that relates to assets reported in column A of this item, less
 - The portion of Schedule RC-R, Part II, Memorandum item 4.c, “Amount of allowances for credit losses on purchased credit-deteriorated assets” for other financial assets measured at amortized cost that relates to assets reported in column A of this item.
- For example, if an institution reports \$100 in Schedule RI-B, Part II, Memorandum item 6 (and the entire amount relates to assets reported in this item 8, column A), and \$10 in Schedule RC-R, Part II, Memorandum item 4.c (and the entire amount relates to assets reported in this item 8, column A), the institution would report (\$90) in this column B.

An institution that has adopted CECL and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution reduces its temporary difference DTAs by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period.

An institution that has adopted CECL and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing institution) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing institution reduces its temporary difference DTAs by 100 percent of its DTA transitional amount during the first

Part II. (cont.)**Item No. Caption and Instructions**

- 8**
(cont.)
- *In column K–250% risk weight*, include the amounts of items that do not exceed the applicable common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules. These amounts pertain to three items:
 - Significant investments in the capital of unconsolidated financial institutions in the form of common stock (for ~~advanced approaches institutions~~ institutions subject to the expanded risk-based approach only);
 - MSAs (for all institutions); and
 - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances (for all institutions).
 - *In column L–300% risk weight*, include the fair value of publicly traded equity securities with readily determinable fair values that are reported in Schedule RC, items 8 and 9.
 - *In column M–400% risk weight*, include the historical cost of equity securities (other than those issued by investment firms) that do not have readily determinable fair values that are reported in Schedule RC-F, item 4.
 - *In column N–600% risk weight*, include the historical cost of equity securities issued by investment firms that do not have readily determinable fair values that are reported in Schedule RC-F, item 4.
 - *In columns R and S of item 8–Application of Other Risk-Weighting Approaches*, include the portion of any asset reported in Schedule RC, items 6 through 11 (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of items 8.a and 8.b, respectively), that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
 - Include in column R the carrying value of the portion of an asset that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the Simple Approach in §.37. In addition, the bank must apply the same approach to securitization exposure collateral – either the Simplified Supervisory Formula Approach or the Gross-up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
 - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the asset secured by such collateral. Any remaining portion of the asset that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.

Part II. (cont.)**Item No. Caption and Instructions**

8
(cont.)

Component A: Risk-weighted asset amount for default fund contributions to non-qualifying CCPs

As required by §.35(d)(2) of the regulatory capital rules, a clearing member bank's risk-weighted asset amount for default fund contributions to CCPs that are not QCCPs equals the sum of such default fund contributions multiplied by 1,250 percent, or an amount determined by the bank's federal supervisor based on factors such as size, structure and membership characteristics of the CCP and riskiness of its transactions, in cases where such default fund contributions may be unlimited. Therefore, unless otherwise advised by its supervisor or through agency-issued guidance, a bank will sum each of its non-QCCP default fund contributions, and multiply the total by 1,250 percent, and add any additional risk-weighted asset amount determined by the agency, if any. This will be Component A above.

Component B: Risk-weighted asset amount for default fund contributions to QCCPs

A clearing member bank's risk-weighted asset amount for default fund contributions to QCCPs equals the sum of its capital requirement, K_{CM} for each QCCP, as calculated under the methodology set forth in §.35(d)(3) or §.433(d)114 of the regulatory capital rules.

When a bank uses the Current Exposure Method (CEM) to determine default fund contributions, the regulatory capital rules provide two methods to determine the capital requirement for a clearing member bank's default fund contributions to a QCCP. A clearing member bank may use either method. A clearing member bank's risk-weighted asset amount for default fund contributions to a QCCP equals the sum of its capital requirement, K_{CM} , for each QCCP as calculated under Method 1 multiplied by 1,250 percent, or under Method 2.

Method 1: The bank calculates the capital charge for a clearing member in a 3-step process, depending on the funded status of the QCCP. The process is summarized briefly below:

- Step 1: The bank must calculate the hypothetical capital requirement of all the trades conducted through the QCCP as if the QCCP were a bank. This depends on the type of trade and netting sets with each counterparty. Alternately, the QCCP may provide this number to the clearing member.
- Step 2: The bank compares the hypothetical capital requirement (calculated in Step 1) to the funded default fund of the QCCP to include the internally funded resources of the QCCP. This step determines the aggregate capital requirement for all clearing members assuming a default of two average clearing members.
- Step 3: The aggregate capital requirement of all clearing members (assuming the default of two members) is then allocated back to the individual clearing member firm and converted to a risk-weighted asset amount.

Using the 3-step process and formulas provided in the regulatory capital rules, the bank will determine a dollar capital requirement for its default fund contribution for each QCCP (K_{CMi}). The bank must then multiply each K_{CMi} by 1,250 percent to calculate the risk-weighted asset amount. The bank must sum the risk-weighted assets calculated for each QCCP default fund contribution to produce a total risk-weighted asset amount for all QCCP default fund contributions for which the bank uses this method. For example, the total risk-weight asset amount for a bank with default fund contributions to two QCCPs will be the sum of K_{CMi} for QCCP A and K_{CMi} for QCCP B. This sum will be included in Component B above for all QCCPs for which the bank uses Method 1.

Part II. (cont.)**Item No. Caption and Instructions**

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(cont.) Method 2: Under Method 2, the risk-weighted assets for a clearing member's default fund contribution is the minimum of:

- 1,250 percent times the bank's funded contributions to the QCCP default fund, or
- 18 percent times the total trade exposures of the member to the QCCP.

A bank will make this calculation for each QCCP for which it uses Method 2. The sum of risk-weighted assets for all QCCP contributions for which the bank uses Method 2 will be included in Component B above.

When a bank uses SA-CCR to determine default fund contributions, the regulatory capital rules provide that a clearing member bank first calculates the hypothetical capital requirement of the QCCP (K_{CCP}), unless the QCCP has already disclosed it, in which case the bank must rely on that disclosed figure. In either case, a bank may choose to use a higher amount of K_{CCP} than the minimum calculated under the formula or disclosed by the QCCP if the bank has concerns about the nature, structure, or characteristics of the QCCP.

For purposes of calculating K_{CCP} , the PFE multiplier includes collateral held by a QCCP in which the QCCP has a legal claim in the event of the default of the member or client, including default fund contributions of that member. In addition, the QCCP must use a margin period of risk of 10 days in the maturity factor adjustment. Notwithstanding ~~§.133(d)(5) and (6)(ii)~~ 114 of the regulatory capital rules, with the prior approval of the regulator, a bank may rely on a hypothetical capital requirement of a QCCP based on a methodology other than SA-CCR for calculating the exposure amount of a clearing member of a QCCP to the QCCP.

A banking organization that elects to use SA-CCR is allowed to continue to use method 1 or method 2 under CEM to calculate the risk-weighted asset amount for default fund contributions until January 1, 2022.

- The portion of Schedule RC, items 6 through 11, that must be risk-weighted according to the Country Risk Classification (CRC) methodology:
 - *In column C—0% risk weight; column G—20% risk weight; column H—50% risk weight; column I—100% risk weight; column J—150% risk weight. Assign these exposures to risk-weight categories based on the CRC methodology described above in the General Instructions for Part II. Include the portions of those exposures described above in the instructions for Schedule RC-R, Part II, item 8, that are exposures to sovereigns or foreign banks that do not qualify as securitization exposures.*

Part II. (cont.)**Item No. Caption and Instructions**

- 9.b** amount of the unrealized gain or unrealized loss on securitization exposure. Gains are reported as positive numbers; losses as negative numbers. (Note: If the bank has not made or cannot make the opt-out election, there will not be an adjustment for the unrealized gain or loss to be reported in column B.)
- (cont.)
- \$100 is the exposure amount subject to risk weighting in this item (i.e., without regard to the accrued interest receivable on the AFS securitization exposure that is included in Schedule RC-R, Part II, item 9.d). This \$100 amount will be reported in item 9.b, column Q—1250% risk weight. For a bank that has made the AOCI opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the AFS securitization exposure excluding any unrealized gain or loss.

The bank would also report the \$1 of accrued interest receivable on the AFS securitization exposure that is included in Schedule RC-R, Part II, item 9.d, column A, in column Q—1250% risk weight of item 9.d.

Example 2: A bank reports an AFS securitization exposure on its balance sheet in Schedule RC, item 2.b, at a carrying value (i.e., fair value) of \$105. The AFS securitization exposure has a \$5 unrealized gain that is included in AOCI. The AFS securitization exposure also has \$1 of accrued interest receivable that is reported in Schedule RC, item 11, and included in Schedule RC-R, Part II, item 9.d, column A. The bank's AFS securitization exposure provides credit enhancement for an additional \$800 in more senior securities. Therefore, the bank will need to risk weight a \$900 exposure composed of the carrying value of its AFS securitization exposure, less the unrealized gain, plus the amount of the more senior exposures that it supports. The bank has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a. The AFS securitization exposure will be risk weighted using the Gross-Up Approach and the weighted-average risk weight of the underlying exposures is 100 percent. The bank would report in Schedule RC-R, Part II, item 9.b:

- \$105 in column A. This is the carrying value of the AFS securitization exposure on the bank's balance sheet.
- \$105 in column B. When the Gross-Up Approach is being used, the carrying value of the AFS securitization exposure on the bank's balance sheet, as reported in column A, of item 9.b, is to be reported in column B. Because the bank has made the AOCI opt-out election, the exposure amount to be risk weighted at the 100 percent weighted-average risk weight is the \$105 carrying value of the AFS securitization exposure, less the \$5 unrealized gain on the exposure included in AOCI, plus the \$1 accrued interest receivable on the exposure (included in Schedule RC-R, Part II, item 9.d, column A), plus the additional \$800 in more senior exposures that the AFS securitization exposure supports, which equals \$901.
- \$901 in column U. This is the risk-weighted asset amount of the AFS securitization exposure. This amount (\$901) will be reported in item 9.b, column U—Gross-Up. (Note: \$901 is the product of the \$901 exposure amount multiplied by the 100 percent weighted-average risk weight.)

- 9.c** **Trading assets.** Report in column A the fair value of those trading assets reported in Schedule RC, item 5, that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule RC-R, Part II, item 7, for a summary of the reporting locations of trading assets that are securitization exposures.

If the bank is subject to the market risk capital rule, report in column B the fair value of those securitization exposures reported in column A of this item that are **market risk** covered positions as defined in Schedule RC-R, Part II, item 27. The bank will report its **standardized** market risk-weighted assets in Schedule RC-R, Part II, item 27.

Part II. (cont.)**Item No. Caption and Instructions**

9.c If a trading asset securitization exposure will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, include as part of the exposure amount to be risk weighted in this item any accrued interest receivable on the trading asset that is reported in Schedule RC, item 11, “Other assets,” and included in Schedule RC-R, Part II, item 9.d, columns A and B. Do not report this accrued interest receivable in column A or B of this item.

(cont.)

For banks not subject to the market risk capital rule and for those trading assets held by banks subject to the market risk capital rule that are securitization exposures that do not meet the definition of a market risk covered position:

- *In column B*, report the fair value reported in column A of this item for those trading assets reported in Schedule RC, item 5, that qualify as securitization exposures and will be risk-weighted using either the SSFA or the Gross-Up Approach.
- *In column Q*, report the fair value reported in column A of this item of those trading assets that are securitization exposures that are assigned a 1,250 percent risk weight (i.e., those trading asset securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).
- *In column T*, report the risk-weighted asset amount (not the exposure amount) of those trading assets that are securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.
- *In column U*, report the risk-weighted asset amount (not the exposure amount) of those trading assets that are securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

9.d **All other on-balance sheet securitization exposures.** Report in column A the amount of all on-balance sheet assets included in Schedule RC that qualify as *securitization exposures* as defined in §.2 of the regulatory capital rules and are not reported in Schedule RC-R, Part II, items 9.a, 9.b, or 9.c. Include in column A the amount reported in Schedule RC, item 11, “Other assets,” for accrued interest receivable on on-balance sheet securitization exposures, regardless of where the securitization exposures are reported on the balance sheet in Schedule RC. Refer to the instructions for Schedule RC-R, Part II, items 1, 3, 4, 5, and 8, above for a summary of the reporting locations of other on-balance sheet securitization exposures.

Exposure amount to be used for purposes of risk weighting – bank that cannot or has not made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a:

For other on-balance sheet securitization exposures where the bank cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the bank is the exposure’s carrying value, which is the value of the exposure reported on the balance sheet of the bank determined in accordance with GAAP and in column A.

Part II. (cont.)**Item No. Caption and Instructions**

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(cont.) For an off-balance sheet securitization exposure to an asset-backed commercial paper (ABCP) program, such as an eligible ABCP liquidity facility, the notional amount may be reduced to the maximum potential amount that the bank could be required to fund given the ABCP program's current underlying assets (calculated without regard to the current credit quality of those assets).

The exposure amount of an eligible ABCP liquidity facility for which the Simplified Supervisory Formula Approach (SSFA) does not apply is equal to the notional amount of the exposure multiplied by a credit conversion factor (CCF) of 50 percent.

The exposure amount of an eligible ABCP liquidity facility for which the SSFA applies is equal to the notional amount of the exposure multiplied by a CCF of 100 percent.

For an off-balance sheet securitization exposure that is a repo-style transaction or eligible margin loan for which the bank calculates an exposure amount under §.37 of the regulatory capital rules, a cleared transaction (other than a credit derivative), or a derivative contract (other than a credit derivative), the exposure amount is the amount calculated under §.34, §.35, §.37, §.~~432~~113, or §.~~433~~114, as applicable, of the regulatory capital rules.

For a credit-enhancing representation and warranty that is an off-balance sheet securitization exposure, see the discussion of "Treatment of Sales of 1-4 Family Residential First Mortgage Loans with Credit-Enhancing Representations and Warranties," which includes an example, in the General Instructions for Schedule RC-R, Part II.

- *In column B*, report the notional amount of those off-balance sheet securitization exposures reported in column A of this item for which the exposure amount (as described above) will be risk weighted using either the SSFA or the Gross-Up Approach. Also include in column B the difference between the notional amount reported in column A of this item and the exposure amount for those off-balance sheet items that qualify as securitization exposures and will be risk weighted by applying the 1,250 percent risk weight.
- *In column Q*, report the exposure amount of those off-balance sheet securitization exposures that are assigned a 1,250 percent risk weight (i.e., those off-balance sheet securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).
- *In column T*, report the risk-weighted asset amount (not the exposure amount) of those off-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.
- *In column U*, report the risk-weighted asset amount (not the exposure amount) of those off-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Schedule RC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

Total Assets

11 **Total assets.** For columns A through R, report the sum of items 1 through 9. The sum of columns B through R must equal column A. Schedule RC-R, Part II, item 11, column A, must equal Schedule RC, item 12, "Total assets."

Part II. (cont.)

Item No. Caption and Instructions

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(cont.) purposes and subject to the market risk capital rule. Include the client-facing leg of a derivative contract cleared through a central counterparty or a qualified central counterparty, which is to be reported as an over-the-counter derivative. Otherwise, do not include the credit equivalent amount of centrally cleared derivative contracts, which must be reported in Schedule RC-R, Part II, item 21. Do not include OTC derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10.

The credit equivalent amount of an OTC derivative contract to be reported in column B is determined under one of two methods, the current exposure method (CEM), as described in §.34(b) of the regulatory capital rules, or the standardized approach for counterparty credit risk (SA-CCR), as described in §.132(e)113 of the regulatory capital rules. Under the regulatory capital rules, a ~~non-advanced approaches~~ institution not subject to the expanded risk-based approach may elect to use CEM or SA-CCR to determine the credit equivalent amount of an OTC derivative contract, ~~as of April 1, 2020~~. A ~~non-advanced approaches~~ institution not subject to the expanded risk-based approach must notify its appropriate federal banking supervisor before using SA-CCR. A ~~non-advanced approaches~~ institution not subject to the expanded risk-based approach must use the same methodology – CEM or SA-CCR – to calculate the exposure amount for all its derivative contracts, including centrally cleared derivative transactions, and may change its election only with the prior approval of its appropriate federal banking supervisor. An ~~advanced approaches~~ institution subject to the expanded risk-based approach must use, ~~as of January 1, 2022~~, SA-CCR to determine the credit equivalent amount of an OTC derivative contract. ~~However, such an institution may elect to use SA-CCR to determine the credit equivalent amount of an OTC derivative contract, as of April 1, 2020, by notifying its appropriate federal banking supervisor.~~

	Noncleared derivative contracts	Cleared transactions framework	Default fund contributions
Advanced approaches institutions <u>Institutions subject to the expanded risk-based approach, expanded risk-based advanced approaches</u> total risk-weighted assets	Option to <u>Must use SA-CCR or Internal Models Methodology</u>	Must use SA-CCR <u>Must use the approach selected for purposes of noncleared derivative contracts</u>	Must use SA-CCR
Advanced approaches institutions <u>Institutions subject to the expanded risk-based approach,</u> standardized approach total risk-weighted assets	Must use SA-CCR	Must use SA-CCR	Must use SA-CCR
Non-advanced approaches institutions <u>Institutions not subject to the expanded risk-based approach,</u> standardized approach total risk-weighted assets	Option to use CEM or SA-CCR	Must use the approach selected for purposes of noncleared derivative contracts	Must use the approach selected for purposes of noncleared derivative contracts
Advanced approaches institutions <u>Institutions subject to the expanded risk-based approach,</u> supplementary leverage ratio	Must use SA-CCR to determine the exposure amount of derivative contracts for total leverage exposure		

<p>Institutions subject to Category III capital standards, supplementary leverage ratio</p>	<p>Option to use CEM or SA-CCR to determine the exposure amount of derivative contracts for total leverage exposure</p>
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Part II. (cont.)

Item No. Caption and Instructions

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(cont.) When using CEM, the credit equivalent amount of an OTC derivative contract to be reported in column B is the sum of its current credit exposure (as reported in Schedule RC-R, Part II, Memorandum item 1) plus the potential future exposure (PFE) over the remaining life of the derivative contract (regardless of its current credit exposure, if any), as described in §.34 of the regulatory capital rules. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The PFE of a derivative contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate conversion factor from the following chart.

The notional principal amounts of the reporting bank's OTC derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Schedule RC-R, Part II, Memorandum items 2.a through 2.g.

Remaining Maturity	Interest Rate	Foreign exchange rate and gold	Credit (investment grade reference assets)	Credit (non-investment grade reference assets)	Equity	Precious metals (except gold)	Other
One year or less	0.0%	1.0%	5.0%	10.0%	6.0%	7.0%	10.0%
Greater than one year & less than or equal to five years	0.5%	5.0%	5.0%	10.0%	8.0%	7.0%	12.0%
Greater than five years	1.5%	7.5%	5.0%	10.0%	10.0%	8.0%	15.0%

Under the banking agencies' regulatory capital rules and for purposes of Schedule RC-R, Part II, the existence of a legally enforceable bilateral netting agreement between the reporting bank and a counterparty may be taken into consideration when determining both the current credit exposure and the potential future exposure of derivative contracts. For further information on the treatment of bilateral netting agreements covering derivative contracts, refer to the instructions for Schedule RC-R, Part II, Memorandum item 1, and §.34 of the regulatory capital rules.

When assigning OTC derivative exposures to risk-weight categories, banks can recognize the risk-mitigating effects of financial collateral by using either the Simple Approach or the Collateral Haircut Approach, as described in §.37 of the regulatory capital rules.

When using SA-CCR, the credit equivalent amount of an OTC derivative contract to be reported in column B is the sum of its current credit exposure (as reported in Schedule RC-R, Part II, Memorandum item 1) plus the potential future exposure over the remaining life of the derivative contract (regardless of its current credit exposure, if any), as described in §.132 113 of the regulatory capital rules. When using SA-CCR, a bank should use the value of the replacement cost amount for its current credit exposure.

Under SA-CCR, the determination of the replacement cost depends on whether the counterparty to a bank is required to post variation margin. The replacement cost for a netting set that is not subject to a variation margin agreement is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts, or (2) zero. For a netting set that is subject to a variation margin

Part II. (cont.)**Item No. Caption and Instructions**

- 20
- *In columns R and S—Application of Other Risk-Weighting Approaches*, include the portion of OTC derivative contracts that is secured by qualifying financial collateral that meets the definition of a *securitization exposure* in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach or the Collateral Haircut Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the OTC derivative exposure may not be less than 20 percent.
 - Include in column R the portion of OTC derivative contracts secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the Simple Approach or the Collateral Haircut Approach, respectively; however, the bank must apply the same approach for all OTC derivative contracts. In addition, if the bank applies the Simple Approach, it must apply the same approach – either the Simplified Supervisory Formula Approach or the Gross-Up Approach – that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule RC-R, Part II, items 9 and 10.
 - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of OTC derivative contracts secured by such collateral. Any remaining portion of the OTC derivative exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule RC-R, Part II.

- 21
- Centrally cleared derivatives.** Report in column B the credit equivalent amount of centrally cleared derivative contracts covered by the regulatory capital rules. As described in §.2 of the regulatory capital rules, a centrally cleared derivative contract is an exposure associated with an outstanding derivative contract that an institution, or an institution that is a clearing member has entered into with a central counterparty (CCP), that is, a transaction that a CCP has accepted. Include centrally cleared credit derivative contracts held for trading purposes that are subject to the market risk capital rule and meet the operational requirements for counterparty credit risk in §.3 of the regulatory capital rules. However, do not include the client-facing leg of a derivative contract cleared through a CCP or a qualified CCP, which is to be reported as an over-the-counter derivative in Schedule RC-R, Part II, item 20. For information on the regulatory capital treatment of settled-to-market contracts, see the discussion of “Treatment of Certain Centrally Cleared Derivative Contracts” in the General Instructions for Schedule RC-R, Part II.

Do not include the credit equivalent amount of over-the-counter derivative contracts; which must be reported in Schedule RC-R, Part II, item 20. Do not include centrally cleared derivative contracts that meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10.

The credit equivalent amount of a centrally cleared derivative contract to be reported in column B is determined under either §.35 or §.133-114 of the regulatory capital rules. Under the regulatory capital rules, ~~an non-advanced approaches~~ institution not subject to the expanded risk-based approach that elects to calculate the exposure amount for its OTC derivative contracts using the standardized approach for counterparty credit risk (SA-CCR), as described in §.132(e)113, must apply the treatment of

Part II. (cont.)**Item No. Caption and Instructions**

21 cleared transactions under §.133-114 to its derivative contracts that are cleared transactions and
(cont.) to all default fund contributions associated with such derivative contracts, rather than applying §.35. An ~~non-advanced approaches~~-institution not subject to the expanded risk-based approach must use the same methodology – the current exposure method (CEM) or SA-CCR – to calculate the exposure amount for all its derivative contracts and may change its election only with the prior approval of its appropriate federal banking supervisor. An ~~advanced approaches~~-institution subject to the expanded risk-based approach must apply the treatment of cleared transactions under §.133-114 of the regulatory capital rules to its derivative contracts that are cleared transactions and to all default fund contributions associated with such derivative contracts.

When using CEM, the credit equivalent amount of a centrally cleared derivative contract is the sum of its current credit exposure (as reported in Schedule RC-R, Part II, Memorandum item 1), plus the potential future exposure (PFE) over the remaining life of the derivative contract, plus the fair value of collateral posted by the clearing member client bank and held by the CCP or a clearing member in a manner that is not bankruptcy remote. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The PFE of a derivative contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate conversion factor from the following chart.

The notional principal amounts of the reporting bank's centrally cleared derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Schedule RC-R, Part II, Memorandum items 3.a through 3.g.

Remaining Maturity	Interest Rate	Foreign exchange rate and gold	Credit (investment grade reference assets)	Credit (non-investment grade reference assets)	Equity	Precious metals (except gold)	Other
One year or less	0.0%	1.0%	5.0%	10.0%	6.0%	7.0%	10.0%
Greater than one year & less than or equal to five years	0.5%	5.0%	5.0%	10.0%	8.0%	7.0%	12.0%
Greater than five years	1.5%	7.5%	5.0%	10.0%	10.0%	8.0%	15.0%

When using SA-CCR, the credit equivalent amount of a centrally cleared derivative contract is the sum of its current credit exposure (as reported in Schedule RC-R, Part II, Memorandum item 1), plus the PFE over the remaining life of the derivative contract, plus the fair value of collateral posted by the clearing member client bank and held by the CCP or a clearing member in a manner that is not bankruptcy remote. When using SA-CCR, a bank should use the value of the replacement cost amount for its current credit exposure.

Under SA-CCR, the determination of the replacement cost depends on whether the counterparty to a bank is required to post variation margin. The replacement cost for a netting set that is not subject to a variation margin agreement is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts, or (2) zero. For a netting set that is subject to a variation margin agreement where the counterparty is required to post variation margin, replacement cost is equal to the greater

Part II. (cont.)**Item No. Caption and Instructions**

21
(cont.) of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the sum of the net independent collateral amount and the variation margin amount applicable to such derivative contracts; (2) the sum of the variation margin threshold and the minimum transfer amount applicable to the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts; or (3) zero. The SA-CCR PFE is equal to the product of the PFE multiplier and the aggregated amount. To determine the aggregated amount, a bank is required to determine the hedging set amounts for the derivative contracts within a netting set, where a hedging set is comprised of derivative contracts that share similar risk factors based on asset class (e.g., interest rate, exchange rate, credit, equity, and commodity).

When using the SA-CCR method, a bank may elect to treat settled-to-market derivative contracts as subject to a variation margin agreement and receive the benefits of netting with collateralized-to-market derivative contracts. If a bank elects to treat settled-to-market derivative contracts as subject to a variation margin agreement, it must apply the maturity factor to such contracts under ~~§.113(i)(4)(i)(A)~~ ~~§.132(e)(9)(iv)(A)~~ of the regulatory capital rules. The maturity factor of a derivative contract that is subject to a variation margin agreement, excluding derivative contracts that are subject to a variation margin agreement under which the counterparty is not required to post variation margin, is determined by the following formula:

$$\text{Maturity factor} = \frac{3}{2} \sqrt{\frac{\text{MPOR}}{250}}$$

where MPOR refers to the period from the most recent exchange of collateral under a variation margin agreement with a defaulting counterparty until the derivative contracts are closed out and the resulting market risk is re-hedged.

- *In column C—0% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk-weight category as described in the instructions for Risk-Weighted Assets and for Schedule RC-R, Part II, items 1 through 8, above.
- *In column D—2% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with Qualified Central Counterparties (QCCPs) where the collateral posted by the bank to the QCCP or clearing member is subject to an arrangement that prevents any losses to the clearing member client due to the joint default or a concurrent insolvency, liquidation, or receivership proceeding of the clearing member and any other clearing member clients of the clearing member; and the clearing member client bank has conducted sufficient legal review to conclude with a well-founded basis (and maintains sufficient written documentation of that legal review) that in the event of a legal challenge (including one resulting from default or from liquidation, insolvency, or receivership proceeding) the relevant court and administrative authorities would find the arrangements to be legal, valid, binding, and enforceable under the law of the relevant jurisdictions. See the definition of QCCP in §.2 of the regulatory capital rules.
- *In column E—4% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with QCCPs in all other cases that do not meet the qualification criteria for a 2 percent risk weight, as described in §.2 of the regulatory capital rules.

Part II. (cont.)**Item No. Caption and Instructions**

- 22**
(cont.)
- *In column Q—1250% risk weight, include:*
 - The positive current exposure of DvP and PvP transactions in which the counterparty has not made delivery or payment within 46 or more business days after the contractual settlement date.
 - The fair value of the deliverables in Non-DvP/non-PvP transactions in which the bank has not received deliverables from the counterparty five or more business days after which the delivery was due.

Totals**Item No. Caption and Instructions**

- 23** **Total assets, derivatives, off-balance sheet items, and other items subject to risk weighting by risk weight category.** For each of columns C through P, report the sum of items 11 through 22. For column Q, report the sum of items 10 through 22.
- 24** **Risk weight factor.**
- 25** **Risk-weighted assets by risk weight category.** For each of columns C through Q, multiply the amount in item 23 by the risk weight factor specified for that column in item 24.
- 26** **Risk-weighted assets base for purposes of calculating the allowance for loan and lease losses 1.25 percent threshold.** Report the sum of:
- Schedule RC-R, Part II:
 - Items 2.b through 20, column S,
 - Items 9.a, 9.b, 9.c, 9.d, and 10, columns T and U, and
 - Item 25, columns C through Q
 - Schedule RC-R, Part I:
 - The portion of item 10.b composed of “Investments in the institution’s own shares to the extent not excluded as part of treasury stock,”
 - The portion of item 10.b composed of “Reciprocal cross-holdings in the capital of financial institutions in the form of common stock,”
 - Item 11 (~~advanced approaches institutions~~institutions subject to the expanded risk-based approach only),
 - Items 13.a, 14.a, and 15.a, column A, on the FFIEC 031 for ~~non-advanced approaches institutions~~institutions not subject to the expanded risk-based approach; items 13.b, 14.b, 15.b, and 16, column B, for ~~advanced approaches institutions~~institutions subject to the expanded risk-based approach; and items 13 through 15 on the FFIEC 041,

Part II. (cont.)**Item No. Caption and Instructions**

- 26**
(cont.)
- Item 24, excluding the portion of item 24 composed of tier 2 capital deductions reported in Part I, item 45, for which the institution does not have a sufficient amount of tier 2 capital before deductions reported in Part I, item 44.a on the FFIEC 031; item 44 on the FFIEC 041, to absorb these deductions, and
 - Item 45.

For institutions that have adopted the current expected credit losses methodology (CECL), the risk-weighted assets base reported in this item 26 is for purposes of calculating the adjusted allowances for credit losses (AACL) 1.25 percent threshold.

NOTE: Item 27 is applicable only to banks that are subject to the market risk capital rule.

- 27** **Standardized market risk-weighted assets.** Report the amount of the bank's ~~standardized~~ market risk-weighted assets. This item is applicable only to those banks covered by Subpart F of the regulatory capital rules (i.e., the market risk capital rule), as provided in §.201 of the regulatory capital rules.

~~A bank's measure for market risk for its covered positions is the sum of its value-at-risk (VaR)-based, stressed VaR-based, incremental risk, and comprehensive risk capital requirements plus its specific risk add-ons and any capital requirement for de minimis exposures. A bank's standardized market risk-weighted assets equal its measure for market risk, as calculated under §.section-204 of the agencies' market risk capital rule, multiplied by 12.5 (the reciprocal of the minimum 8.0 percent capital ratio). An institution that calculates models-based market risk-weighted assets must report the amount in FFIEC- 102, Part III, line item 2. An institution that calculates only standardized market risk-weighted assets must report the amount in FFIEC 101, Part III, line item 1.~~

A market risk covered position is a trading asset or trading liability (whether on- or off-balance sheet), as reported on Schedule RC-D, that is a trading position, a position held for ~~any~~ of the following reasons:

- (1) Regular dealing or making a market in securities or other instruments; or
~~For the purpose of short-term resale;~~
- (2) ~~With the intent of benefiting from actual or expected short-term price movements;~~
- (3) ~~To lock in arbitrage profits; or~~
- (4) To hedge another market risk covered position.

Additionally, the trading asset or trading liability must be free of any restrictive covenants on its tradability or the bank must be able to hedge the material risk elements of the trading asset or trading liability in a two-way market.

A market risk covered position also includes ~~a foreign exchange or commodity position the following~~, regardless of whether the position is a trading asset or trading liability, and hedges of such positions:

- (1) a foreign exchange or commodity position (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions and eligible CVA hedges that mitigate the exposure component of CVA risk).
- (2) A publicly traded equity position or an equity position in an investment fund (except as excluded below)
- (3) Net short risk positions of \$20 million or more;
- (4) Embedded derivatives on instruments that the bank issued that relate to credit or equity risk that it bifurcates for accounting purposes;
- (5) The trading desk segment of an eligible internal risk transfer of credit risk or of interest rate risk as described in section .205(h) of the market risk rule;
- (6) A position arising from a transaction between a trading desk and an external party conducted as part of an internal risk transfer described in section 205(h) of the market

risk rule:

- (7) The trading desk segment of an internal risk transfer of CVA risk;
- (8) The CVA segment of an internal risk transfer that is not an eligible CVA hedge; and
- (9) A CVA hedge with an external party that is not an eligible CVA hedge.

A market risk covered position does not include:

- (1) An intangible asset (including any servicing asset);
- (2) A hedge of a trading position that is outside the scope of the bank's hedging strategy;
- (3) Any position that, in form or substance, acts as a liquidity facility that provides support to asset-backed commercial paper;
- ~~(4) A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the regulatory capital rules for credit risk;~~
- ~~(54) An equity position that is publicly traded with restrictions on transferability or is not publicly traded and not an equity position in an investment fund (other than a derivative that references a publicly traded equity);~~
- ~~(65) An equity position in an investment fund that does not meet the criteria for a market risk covered position in section 202 of the market risk rule;~~
- (6) A position held with the intent to securitize; or
- (7) A direct real estate holding;
- (8) A derivative instrument or an exposure to a fund that has material exposure to the instrument types described in (1) through (87) as underlying assets;
- (9) A debt security, for which the bank elects the fair value option for purposes of asset and liability management;
- (10) A significant investment in the capital of unconsolidated financial institutions in the form of common stock that is not deducted from capital pursuant to section 22(c)(6) of the capital rule;
- (11) An instrument held for the purpose of hedging a particular risk of a position in the types of instruments described in (1) through (409); or
- (12) An eligible CVA hedge with an external party or the CVA segment of an internal risk transfer that is an eligible CVA hedge; or
- (13) An equity position arising from deferred compensation plans, employee stock ownership plans, and retirement plans.

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Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve.

Report the sum of items 2.b through 20, column S; items 9.a, 9.b, 9.c, 9.d, and 10, columns T and U; item 25, columns C through Q;

Part II. (cont.)**Memoranda****Item No. Caption and Instructions**

1 Current credit exposure across all derivative contracts covered by the regulatory capital rules. Report the total current credit exposure amount when using the current exposure method (CEM) or replacement cost amount when using the standardized approach for counterparty credit risk (SA-CCR) after considering applicable legally enforceable bilateral netting agreements for all derivative contracts that are over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) and all derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) and are covered by §.34, §.35, §.132-113, and §.133-114 of the regulatory capital rules, as applicable. Banks that are subject to the market risk capital rule should exclude all market risk covered positions subject to that rule, except for foreign exchange derivatives that are outside of the trading account. Foreign exchange derivatives that are outside of the trading account and all over-the-counter derivatives continue to have a counterparty credit risk capital charge and, therefore, a current credit exposure amount for these derivatives should be reported in this item.

Include the current credit exposure arising from credit derivative contracts where the bank is the protection purchaser (beneficiary) and the credit derivative contract is either (a) defined as a market risk covered position under the market risk capital rule or (b) not defined as a market risk covered position under the market risk capital rule and not recognized as a guarantee for regulatory capital purposes.

As discussed further below, current credit exposure (sometimes referred to as the replacement cost) is the fair value of a derivative contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero.

Exclude the positive fair value of derivative contracts that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules. Such derivative contracts include written option contracts, including so-called “derivative loan commitments,” i.e., a lender’s commitment to originate a mortgage loan that will be held for resale. Written option contracts that are, in substance, financial guarantees, are discussed below. For “derivative loan commitments,” which are reported as over-the-counter written option contracts in Schedule RC-L, if the fair value of such a commitment is positive and reported as an asset in Schedule RC, item 11, this positive fair value should be reported in the appropriate risk-weight category in Schedule RC-R, Part II, item 8, and not as a component of the current credit exposure to be reported in this item.

Purchased options held by the reporting bank that are traded on an exchange are covered by the regulatory capital rules unless such options are subject to a daily variation margin. Variation margin is defined as the gain or loss on open positions, calculated by marking to market at the end of each trading day. Such gain or loss is credited or debited by the clearing house to each clearing member’s account, and by members to their customers’ accounts.

If a written option contract acts as a financial guarantee that does not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules, then for risk-based capital purposes the notional amount of the option should be included in Schedule RC-R, Part II, item 17, column A, as part of “All other off-balance sheet liabilities.” An example of such a contract occurs when the reporting bank writes a put option to a second bank that has a loan to a third party. The strike price would be the equivalent of the par value of the loan. If the credit quality of the loan deteriorates, thereby reducing the value of the loan to the second bank, the reporting bank would be required by the second bank to take the loan onto its books.

Part II. (cont.)**Memoranda****Item No. Caption and Instructions**

2 For descriptions of "interest rate contracts," "foreign exchange contracts," "commodity
(cont.) and other contracts," and "equity derivative contracts," refer to the instructions for Schedule RC-L, item 12. For a description of "credit derivative contracts," refer to the instructions for Schedule RC-L, item 7.

Exclude from this item the notional amount of OTC written option contracts, including so-called "derivative loan commitments," which are not subject to §.34 of the regulatory capital rules.

When using SA-CCR, include gold in the metals category for Memorandum item 2.f and exclude gold from the exchange rate category for Memorandum item 2.b.

When using SA-CCR, a bank may elect to treat a credit or equity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. Thus, under this election, a banking organization would apply the SA-CCR methodology to each decomposed component of the index instead of applying the SA-CCR methodology to the index derivative contract. A bank must allocate the notional amount in the same category that it elected for purposes of applying the regulatory capital rule.

When using SA-CCR, a bank may elect to treat a commodity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. A bank must allocate the notional amount in the same category that it elected for purposes of applying the regulatory capital rule.

3 **Notional principal amounts of centrally cleared derivative contracts.** Report in the appropriate subitem and column the notional amount or par value of all derivative contracts, including credit derivatives, that are cleared transactions (as described in §.2 of the regulatory capital rules) and are subject to §.35 or ~~§.433-114~~ of the regulatory capital rules.¹ Such centrally cleared derivative contracts include swaps, forwards, and purchased options. Do not include centrally cleared derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule RC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the centrally cleared derivative contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.

Regardless of whether an institution uses the standardized approach for counterparty credit risk (SA-CCR) or the current exposure methodology (CEM) to calculate exposure amounts for its derivative contracts, report in Memorandum items 3.a through 3.g the notional amounts of the contracts, as this term is defined in U.S. generally accepted accounting principles, unless a derivative contract has a multiplier component as discussed in the following paragraph.

The notional amount or par value to be reported under SA-CCR and CEM for a centrally cleared derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of \$1,000,000 whose terms call for quarterly settlement of the difference between 5 percent and LIBOR multiplied by 10 has an effective notional amount of \$10,000,000.)

¹ See the instructions for Schedule RC-R, Part II, item 21, for the description of derivative contracts that are cleared transactions, referred to hereafter as centrally cleared derivative contracts.

Income Taxes (cont.):

amount of net deferred tax assets or liabilities to be reported on the balance sheet (Schedule RC) and in Schedule RC-F, item 2, or Schedule RC-G, item 2. This discussion does not address the determination of the amount of deferred tax assets, if any, that is disallowed for regulatory capital purposes and reported in Schedule RC-R, Part I, item 8; items 15, 15.a, and 15.b, as applicable; and, for ~~advanced approaches~~ institutions subject to the expanded risk-based approach, item 16.

Banks must consider all available evidence, both positive and negative, in assessing the need for a valuation allowance. The future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in either the carryback or carryforward period. Four sources of taxable income may be available to realize the deferred tax assets:

- (1) Taxable income in carryback years (which can be offset to recover taxes previously paid),
- (2) Reversing taxable temporary differences,
- (3) Future taxable income (exclusive of reversing temporary differences and carryforwards.
- (4) Tax-planning strategies.

In general, positive evidence refers to the existence of one or more of the four sources of taxable income. To the extent evidence about one or more sources of income is sufficient to support a conclusion that a valuation allowance is not necessary (i.e., the bank can conclude that the deferred tax asset is more likely than not to be realized), other sources need not be considered. However, if a valuation allowance is needed, each source of income must be evaluated to determine the appropriate amount of the allowance needed.

Evidence used in determining the valuation allowance should be subject to objective verification. The weight given to evidence when both positive and negative evidence exist should be consistent with the extent to which it can be verified. Sources (1) and (2) listed above are more susceptible to objective verification and, therefore, may provide sufficient evidence regardless of future events.

The consideration of future taxable income (exclusive of reversing temporary differences and carryforwards) as a source for the realization of deferred tax assets will require subjective estimates and judgments about future events which may be less objectively verifiable.

Examples of negative evidence include:

- Cumulative losses in recent years.
- A history of operating loss or tax credit carryforwards expiring unused.
- Losses expected in early future years by a presently profitable bank.
- Unsettled circumstances that, if unfavorably resolved, would adversely affect future profit levels.
- A brief carryback or carryforward that would limit the ability to realize the deferred tax asset.

Examples of positive evidence include:

- A strong earnings history exclusive of the loss that created the future deductible amount (tax loss carryforward or deductible temporary difference) coupled with evidence indicating that the loss is an aberration rather than a continuing condition.
- Existing contracts that will generate significant income.
- An excess of appreciated asset value over the tax basis of an entity's net assets in an amount sufficient to realize the deferred tax asset.