Draft Revisions

to the FFIEC 051 Schedule RC-R

Call Report Instructions

for the Proposed Regulatory Capital Transitions Rule

Proposed to Take Effect March 31, 2018

These redlined draft instructions reflect the revisions proposed to be made to the FFIEC 051 Schedule RC-R Call Report instructions effective March 31, 2018, to implement the proposed regulatory capital transitions rule set forth in the federal banking agencies' Notice of Proposed Rulemaking published in the Federal Register on August 25, 2017.

No changes would be made to Schedule RC-R in the FFIEC 051 Call Report form to implement the proposed regulatory capital transitions rule.

Draft as of August 24, 2017

Questions concerning these draft instructions may be submitted to the FFIEC by going to https://www.ffiec.gov/contact/default.aspx, clicking on "Reporting Forms" under the "Reports" caption on the Web page, and completing the Feedback Form.

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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

Contents – Part I. Regulatory Capital Components and Ratios

General Instructions for Schedule RC-R, Part I.

Transition Provisions: Transition provisions apply to the minimum regulatory capital ratios, the capital conservation buffer, the regulatory capital adjustments and deductions, and non-qualifying capital instruments. For example, transition provisions for the regulatory capital adjustments and deductions specify that certain items that were deducted from tier 1 capital previously will be deducted from common equity tier 1 capital under the regulatory capital rules, with the amount of the deduction changing each calendar year until the transition period ends. For some regulatory capital deductions and adjustments, the non-deducted portion of the item is either risk-weighted for the remainder of the transition period or deducted from additional tier 1 capital, as described in the instructions for the applicable items below. NOTE: For small institutions eligible to file the FFIEC 051 Call Report, the transition provisions applicable during 2017 under the banking agencies' regulatory capital rules have been extended indefinitely for certain regulatory capital deductions and risk weights as well as certain minority interest requirements. The Schedule RC-R instructions reflect the extension of the regulatory capital treatment of these capital deductions, risk weights, and minority interest requirements applicable to eligible small institutions during 2017.

Part I. (cont.)

Item No. **Caption and Instructions**

4 (cont.)

(i) Determine the amounts of outstanding surplus minority interest (for the case of common equity tier 1, tier 1, and total capital).
(ii) Multiply the amounts in (i) ~~it~~ by 20 percent~~the appropriate percentage in Table 2 below~~.
(iii) Include the amounts in (ii) in the corresponding line items (that is, Schedule RC-R, Part I, item 4, item 22, or item 29).

In the worksheet calculation above, the transition provisions for surplus minority interest would apply at step (7). Specifically, if the institution has $3 of surplus common equity tier 1 minority interest of the subsidiary as of January 1, 2014, it may include $0.60 (that is, $3 multiplied by 20%) in Schedule RC-R, Part I, item 4~~, during calendar year 2017, and $0 starting on January 1, 2018~~.

b. Non-qualifying minority interest:

An institution may include in tier 1 capital or total capital the percentage of the tier 1 minority interest and total capital minority interest outstanding as of January 1, 2014, that does not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the regulatory capital rules (non-qualifying minority interest). The institution must phase-out non-qualifying minority interest in accordance with Table 2, using the following steps for each subsidiary:

(i) Determine the amounts of the outstanding non-qualifying minority interest (in the form of additional tier 1 and tier 2 capital).
(ii) Multiply the amounts in (i) by the appropriate percentage in Table 2 below.
(iii) Include the amounts in (ii) in the corresponding item (that is, Schedule RC-R, Part I, item 22 or item 29).

For example, if an institution has $10 of non-qualifying minority interest that previously qualified as tier 1 capital, it may include $2 (that is, $10 multiplied by 20%) during calendar year 2017, and $0 starting on January 1, 2018.

Table 2 – Percentage of the amount of ~~surplus or~~ non-qualifying minority interest includable in regulatory capital during the transition period

Transition period	Percentage of the amount of ~~surplus or~~ non-qualifying minority interest that can be included in regulatory capital during the transition period
Calendar year 2017	20
Calendar year 2018 and thereafter	0

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.

Part I. (cont.)

Item No. Caption and Instructions

10.b (cont.) 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.

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 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.

Transition provisions: Follow the transition provisions in Table 5 below~~the instructions for Schedule RC-R, Part I, item 11~~.

Table 5 – Deductions related to investments in capital instruments during the transition period

Transition period	Transition deductions – percentage of the deductions from common equity tier 1 capital
Calendar year 2017	80
Calendar year 2018 and thereafter	100

(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.

Transition provisions: Follow the transition provisions in Table 5 above~~the instructions for Schedule RC-R, Part I, item 11~~.

(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. This deduction is not subject to transition provisions.

(6) 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. This deduction is not subject to transition provisions.

Part I. (cont.)

Item No. **Caption and Instructions**

11 (cont.) ***Example and a worksheet calculation:***

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 on Schedule RC-R, Part I, item 5 (common equity tier 1 capital before adjustments and deductions (sum of items 1 through 4)), is $1,000.
- Assume the amounts reported on 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, and tier 2 capital).	*$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, and 10.	*$1,000 - $0 = $1,000*
(4)	Multiply the amount in step (3) by 10%. This is "the ten percent threshold for non-significant investments."	*$1,000 x 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.	*Line (1) is greater than line (4); therefore, $200 - $100 = $100. Then ($100 x 100/200) = $50. Report $50 in this item 11.*
(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.	*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. **

* In this case, effective January 1, 2015 (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 x 300% 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.

Transition provisions for investments in capital instruments:

(i) Calculate the amount as described in the instructions for this item 11.
(ii) Multiply the amount in (i) by 80 percent~~the appropriate percent in Table 5 below~~. Report this product in this item 11.
(iii) Subtract (ii) from (i); assign it the applicable risk weight; and report it in Schedule RC-R, Part II, as part of risk-weighted assets.

Part I. (cont.)

Item No. Caption and Instructions

~~11 (cont.)~~ **~~Table 5 – Deductions related to investments in capital instruments during the transition period~~**

~~Transition period~~	~~Transition deductions – percentage of the deductions from common equity tier 1 capital~~
~~Calendar year 2017~~	~~80~~
~~Calendar year 2018 and thereafter~~	~~100~~

12 **Subtotal.** 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 through 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 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.

13 **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:

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

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).

Part I. (cont.)

Item No. **Caption and Instructions**

13 (cont.) ***Transition provisions for items subject to the threshold deductions:***[1a]

(i) Calculate the amount as described in the instructions for this item 13.

(ii) Multiply the amount in (i) by 80 percent~~the appropriate percent in Table 6 below~~. Report this product as this item amount. In addition:

(iii) ~~*For report dates until January 1, 2018*:~~ Subtract the amount in (ii) from the amount in (i), without regard to any associated DTLs; assign it a 100 percent risk weight in accordance with transition provisions in section 300 of the regulatory capital rules. Report this amount in Schedule RC-R, Part II, item 2.b, 7, or 8, as appropriate.

~~(iv) *For report dates after January 1, 2018*: 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.~~

~~**Table 6 – Transition provisions for items subject to the threshold deductions**~~

~~Transition period~~	~~Percentage of the deduction~~
~~Calendar year 2017~~	~~80~~
~~Calendar year 2018 and thereafter~~	~~100~~

14 **LESS: MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.** 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:

(1) Take the amount of MSAs as reported in Schedule RC-M, item 2.a, net of associated DTLs.

(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12, report the difference in this item 14.

(3) If the amount in (1) is less than 10 percent of Schedule RC-R, Part I, item 12, enter zero in this item 14.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, Part I, item 13 (that is, apply 80 percent of the deduction and a 100 percent risk weight to the portion of items not deducted~~use Table 6 in the instructions for Schedule RC-R, Part I, item 13~~).

15 **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 ALLL).

(2) If the amount in (1) is greater than 10 percent of Schedule RC-R, Part I, item 12, report the difference in this item 15.

(3) If the amount in (1) is less than 10 percent of Schedule RC-R, Part I, item 12, enter zero in this item 15.

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,

[1a] NOTE: The FFIEC 031 and FFIEC 041 instructions for Schedule RC-R, Part I, item 13, include Table 6. However, Table 6 is not applicable to institutions that file the FFIEC 051 Call Report and, therefore, is not included in these FFIEC 051 instructions for item 13.

Part I. (cont.)

Item No. Caption and Instructions

15 (cont.) 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.

Transition provisions: Follow the transition provisions in the instructions for Schedule RC-R, Part I, item 13 (that is, apply 80 percent of the deduction and a 100 percent risk weight to the portion of items not deducted~~use Table 6 in the instructions for item 13~~).

16 **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.**

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).

Transition provisions:

A. ~~*For report dates until January 1, 2018,*~~ ~~c~~Calculate this item 16 as follows:
   - (i) Calculate the aggregate amount of the threshold items before deductions:
     - a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs (Schedule RC-R, Part I, item 13, step 1);
     - b. MSAs, net of associated DTLs (Schedule RC-R, Part I, item 14, step 1); and
     - c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (Schedule RC-R, Part I, item 15, step 1).
   - (ii) Multiply the amount in Schedule RC-R, Part I, item 12 (Subtotal) by 15 percent. This is *the 15 percent common equity deduction threshold for transition purposes*.
   - (iii) Sum up the amounts that would have been reported in Schedule RC-R, Part I, items 13, 14, and 15 prior to applying the transition provisions (that is, as if the 10 percent common equity tier 1 capital deduction threshold were fully phased in).
   - (iv) Deduct (iii) from (i).
   - (v) Deduct (ii) from (iv). If this amount is negative, enter zero in this item 16.
   - (vi) Multiply the amount in (v) by 80 percent~~the percentage in Table 6 in the instructions for Schedule RC-R, Part I, item 13~~. Report the resulting amount in this item 16.

Example and a worksheet calculation:

Assume the following balance sheet amounts prior to deduction of these items:

- Common equity tier 1 capital subtotal amount reported in Schedule RC-R, Part I, item 12 = $100
- Significant investments in the common shares of unconsolidated financial institutions, net of associated DTLs = $15.
- MSAs, net of associated DTLs = $7

Part I. (cont.)

Item No. **Caption and Instructions**

16 (cont.)

- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs = $6
- Amount of each item that exceeds the 10% common equity tier 1 capital deduction threshold (as if the amounts subject to the 10% limit were fully phased in):
  - Significant investments in the common shares of unconsolidated financial institutions net of associated DTLs = $5 (amount that would have been reported in Schedule RC-R, Part I, item 13, if the amount were fully phased in)
  - MSAs net of associated DTLs = $0 (amount that would have been reported in Schedule RC-R, Part I, item 14, if the amount were fully phased in)
  - 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 = $0 (amount that would have been reported in Schedule RC-R, Part I, item 15, if the amount were fully phased in).

Calculation steps:

(i) Sum of the significant investments in the common shares of unconsolidated financial institutions, MSAs, and DTAs (all net of associated DTLs) before deductions: $15 + $7 + $6 = $28

(ii) 15% of the amount from Schedule RC-R, Part I, item 12: 15% x $100 = $15

(iii) Sum of the amounts that would have been reported in Schedule RC-R, Part I, items 13, 14, and 15, if the amounts subject to the 10% common equity tier 1 capital deduction threshold were fully phased in: $5

(iv) Deduct the amount in step (iii) from the amount in step (i): $28 - $5 = $23 (This is the amount of these three items that remains after the 10% deductions are taken.)

(v) Deduct the amount in step (ii) from the amount in step (iv): $23 - $15 = $8 (This is an additional deduction that must be taken).

(vi) Determine the amount of the deduction for the applicable calendar year: $8 x 80% (amount that applies in calendar year 2017) = $6.40

Report $6.40 in this item 16.

~~B. *For report dates after January 1, 2018*, calculate this item 16 as follows:~~

~~***Example and a worksheet calculation:***~~

~~*Assumptions:*~~

- ~~The amount reported in Schedule RC-R, Part I, item 12 is $130. (This amount is common equity tier 1 after all deductions and adjustments, except for 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.)

Item No. Caption and Instructions

16
~~(cont.)~~

~~(1)~~	~~**Aggregate amount of threshold items before deductions**~~ ~~Enter the sum of:~~	
	~~a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs (Schedule RC-R, Part I, item 13, step 1);~~	~~*$10*~~
	~~b. MSAs net of associated DTLs (Schedule RC-R, Part I, item 14, step 1); and~~	~~*$20*~~
	~~c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (Schedule RC-R, Part I, item 15, step 1).~~	~~*$30*~~
	~~d. Total of a, b, and c:~~	~~*$60*~~
~~(2)~~	~~**The 10 percent common equity tier 1 capital deduction threshold**~~	
	~~Multiply the amount reported in Schedule RC-R, Part I, item 12, by 10 percent.~~	~~*$130 x 10%=$13*~~
~~(3)~~	~~**Amount of threshold items deducted as a result of the 10 percent common equity tier 1 capital deduction threshold**~~	
	~~a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock net of associated DTLs (as reported in Schedule RC-R, Part I, item 13)~~ ~~b. MSAs net of associated DTLs (as reported in Schedule RC-R, Part I, item 14)~~ ~~c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs (as reported in Schedule RC-R, Part I, item 15)~~	~~*$0*~~ ~~*$20 - $13=$7*~~ ~~*$30 - $13=$17*~~
~~(4)~~	~~**Sum of threshold items not deducted as a result of the 10 percent common equity tier 1 capital deduction threshold**~~ ~~Enter the sum of:~~	
	~~a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock net of associated DTLs that are not deducted (that is, the difference between the amount in step (1)(a) of this table and step 3(a) of this table)~~	~~*$10*~~
	~~b. MSAs that are not deducted (that is, the difference between the amount in step (1)(b) of this table and step 3(b) of this table)~~	~~*$20 - $7 = $13*~~
	~~c. 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 are not deducted (that is, the difference between the amount in step (1)(c) of this table and step (3)(c) of this table)~~	~~*$30 - $17 = $13*~~
	~~d. Total of a, b, and c~~	~~*$10 + 13 + $13 = $36*~~

Part I. (cont.)

Item No. **Caption and Instructions**

16 ~~(cont.)~~

~~(5)~~	~~**The 15 percent common equity tier 1 capital deduction threshold**~~ ~~Calculate as follows:~~	
	~~a. Subtract the amount calculated in step (1.d) of this table from Schedule RC-R, Part I, item 12;~~ ~~b. Multiply the resulting amount by 17.65%~~	~~*($130 - $60) x 17.65% = $12.36 Rounds to $12*~~
~~(6)~~	~~**Amount of threshold items that exceed the 15 percent common equity tier 1 capital deduction threshold**~~ ~~Report as follows:~~	
	~~a. If the amount in step (4.d) is greater than the amount in step (5), then subtract (5) from (4.d) and report this number in Schedule RC-R, Part I, item 16. (In addition, the institution must risk-weight the items that are not deducted at 250 percent in the risk-weighted asset section of this form.)~~ ~~b. If the amount in step (4.d) is less than the amount in step (5) amount, report zero in Schedule RC-R, Part I, item 16.~~	~~*The amount in step (4.d) ($36) is greater than the amount in step 3 ($12). Therefore: $36 - $12 = $24*~~

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.** Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments, reciprocal cross-holdings, non-significant investments in the capital of unconsolidated financial institutions, and non-common stock significant 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 item 23) and tier 2 capital before deductions (reported in item 32.a) to absorb these deductions in Schedule RC-R, Part I, items 24 or 33, as appropriate. Similarly, institutions should report the total amount of any deductions to be made during the transition period pursuant to section 300(b) of the regulatory capital rules if the reporting institution does not have a sufficient amount of additional tier 1 capital before deductions or tier 2 capital before deductions to absorb these deductions.

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. 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
22 (cont.)	item 4) of common equity tier 1 minority interest). In 2017, the institution would include an additional $1.17 in item 22 (20% of $5.86). ~~and s~~Starting in 2018, the institution would ~~not~~ include ~~any~~the amount of surplus minority interest included in 2017 (20% of $5.86 or $1.17) in regulatory capital.
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 item 24 irrespective of the amount of additional tier 1 capital before deductions reported in 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 item 23 and has $100 of additional tier 1 capital deductions, the institution would report $100 in item 24, add $100 to the amount to be reported in item 17, and report $0 in item 25, "Additional tier 1 capital."

(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
(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.

Transition provisions: Follow the transition provisions for investments in the institution's own shares, including Table 5, in the instructions for Schedule RC-R, Part I, item ~~11~~10.b.

(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.

Part I. (cont.)

Item No. **Caption and Instructions**

24 (cont.) 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.

Transition provisions: Follow the transition provisions for reciprocal cross-holdings in the capital of financial institutions, including Table 5, in the instructions for Schedule RC-R, Part I, item ~~11~~10.b.

(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, and tier 2 capital.
(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.

Transition provisions: Follow the transition provisions for investments in capital instruments in the instructions for Schedule RC-R, Part I, item 11.

(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.

Transition provisions: Follow the transition provisions for investments in capital instruments in the instructions for Schedule RC-R, Part I, item 11.

(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, and significant investments in the tier 2 capital of unconsolidated financial institutions).

Also include adjustments and deductions related to DTAs that arise from net operating loss and tax credit carryforwards, gain-on-sale in connection with a securitization exposure, defined benefit pension fund assets, changes in fair value of liabilities due to

Part I. (cont.)

Item No. **Caption and Instructions**

29 (cont.) ***Transition provisions:*** For surplus minority interest and non-qualifying minority interest that can be included in tier 2 capital during the transition period, follow the transition provisions in the instructions for Schedule RC-R, Part I, item 4, after taking into consideration (that is, excluding) any amount of surplus tier 1 minority interest (from step 7 of the worksheet in item 22). In the example (and assuming no outstanding amounts of non-qualifying minority interest), the institution has $1.53 of surplus total capital minority interest available to be included during the transition period in tier 2 capital ($10.39 (from step 7 of the worksheet in item 29) of surplus total capital minority interest minus $8.86 (from step 7 of the worksheet in item 22) of tier 1 minority interest). In 2017, the institution would include an additional $0.31 in item 29 (20% of $1.53). ~~and~~ ~~s~~Starting in 2018 the institution would ~~not~~ include the same amount of~~any~~ surplus minority interest in its regulatory capital as it included in 2017 (20% of $1.53 or $0.31). NOTE: If the amount of surplus total capital minority interest (from step 7 of the worksheet in item 29) is less than the amount of surplus tier 1 minority interest (from step 7 of the worksheet in item 22), the amount of surplus total capital minority interest available to be included during the transition period in tier 2 capital is zero.

30 **Allowance for loan and lease losses includable in tier 2 capital.** Report the portion of the institution's allowance for loan and lease losses (ALLL) for regulatory capital purposes that is includable in tier 2 capital. None of the institution's allocated transfer risk reserve, if any, is includable in tier 2 capital.

An institution's ALLL for regulatory capital purposes equals Schedule RC, item 4.c, "Allowance for loan and lease losses"; less any allocated transfer risk reserve included in Schedule RC, item 4.c; plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures."

The amount to be reported in this item is the lesser of (1) the institution's ALLL for regulatory capital purposes, as defined above, or (2) 1.25 percent of the institution's risk-weighted assets base for the ALLL calculation 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, in accordance with the applicable transition provisions. While amounts deducted from capital under sections 22(c) through (f) are included in the risk-weighted assets base for the ALLL calculation, such amounts are excluded from standardized total risk-weighted assets used in the denominator of the risk-based capital ratios.

The amount, if any, by which an institution's ALLL for regulatory capital purposes exceeds 1.25 percent of the institution's risk-weighted assets base for the ALLL calculation (as reported in Schedule RC-R, Part II, item 26) should be reported in Schedule RC-R, Part II, item 29, "LESS: Excess allowance for loan and lease losses." The sum of the amounts reported in Schedule RC-R, Part I, item 30, plus 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.

Part I. (cont.)

Item No. **Caption and Instructions**

33 **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 item 33 irrespective of the amount of tier 2 capital before deductions reported in item 32. If an institution does not have a sufficient amount of tier 2 capital before deductions in item 32 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 item 32 and must make $110 in tier 2 capital deductions, the institution would report $110 in item 33, 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 item 23 from which to make the deduction in Schedule RC-R, Part I, item 24), and report $0 in item 34, "Tier 2 capital."

(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.

Transition provisions: Follow the transition provisions for investments in the institution's own shares, including Table 5, in the instructions for Schedule RC-R, Part I, item ~~11~~10.b.

(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.

Transition provisions: Follow the transition provisions for reciprocal cross-holdings in the capital of financial institutions, including Table 5, in the instructions for Schedule RC-R, Part I, item ~~11~~10.b.

Part I. (cont.)

Item No. **Caption and Instructions**

33 (cont.)

(3) Non-significant investments in tier 2 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.

Calculate this amount as follows (similar to Schedule RC-R, Part I, item 11):

(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, and tier 2 capital.
(2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.
(3) If (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.
(4) If (1) is less than the ten percent threshold for non-significant investments, enter zero.

For example, assume an institution has a total of $200 in non-significant investments (step 1), including $40 in the form of tier 2 capital (step 2), and its ten percent threshold for non-significant investments is $100 (as calculated in Schedule RC-R, Part I, item 11, step 4). Since the aggregate amount of non-significant investments exceed the ten percent threshold for non-significant investments by $100 ($200-$100), the institution would multiply $100 by the ratio of 40/200 (step 3). Thus, the institution would need to deduct $20 from its tier 2 capital.

Transition provisions: Follow the transition provisions for investments in capital instruments in the instructions for Schedule RC-R, Part I, item 11.

(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from tier 2 capital. Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.

Transition provisions: Follow the transition provisions for investments in capital instruments in the instructions for Schedule RC-R, Part I, item 11.

(5) 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.

34 **Tier 2 capital.** Report the greater of Schedule RC-R, Part I, item 32 less item 33, or zero.

Total Capital

35 **Total capital.** Report the sum of Schedule RC-R, Part I, items 26 and 34.

Part II. (cont.)

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

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, 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:
  - o Certain qualified community development investments,
  - o The effective portion of hedge pairs,
  - o Significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted from capital, and
  - o 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:* Significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted from capital. This risk weight takes effect in 2018. Before 2018, report such significant investments in the 100 percent risk weight category.~~

- *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.

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.
- Publicly traded AFS equity exposures and AFS equity exposures to investment funds (including mutual funds), 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 AFS equity exposures to investments funds (including mutual funds) in column R (and the risk-weighted asset amount of such AFS equity exposures in column S) and the exposure amount of its other AFS equity exposures in either columns L or N, as appropriate.
- Also include all other AFS 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.
- Include the portion of Schedule RC, item 2.b, 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 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.

- ~~*In column K–250% risk weight*, include the portion that does not qualify as a securitization exposure of Schedule RC, item 2.b, 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. This risk weight takes effect in 2018, and therefore this item is blocked from being completed until that time. Before 2018, report such significant investments in the 100 percent risk weight category.~~

- *In column L–300% risk weight*, for publicly traded AFS equity securities with readily determinable fair values reported in Schedule RC-B, item 7, include the fair value of these equity securities (as reported in Schedule RC-B, item 7, column D) if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their adjusted carrying value (as reported in Schedule RC-B, item 7, column C) plus the portion of the unrealized gain (up to 45 percent) included in tier 2 capital (as reported in Schedule RC-R, Part I, item 31).

- *In column N–600% risk weight*, for AFS equity securities to investment firms with readily determinable fair values reported in Schedule RC-B, item 7, include the fair value of these equity securities (as reported in Schedule RC-B, item 7, column D) if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their adjusted carrying value (as reported in Schedule RC-B, item 7, column C) plus the portion of the unrealized gain (up to 45 percent) included in tier 2 capital (as reported in Schedule RC-R, Part I, item 31).

- *In columns R and S—Application of Other Risk-Weighting Approaches*, include the bank's AFS equity exposures to investment funds (including mutual funds) if the

Part II. (cont.)

Item No. **Caption and Instructions**

7 (cont.)

- 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 50 percent risk weight.

- *In column I–100% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that qualifies for the 100 percent risk weight and are not securitization exposures, which may include the fair value of MBS and other debt securities that represent exposures to corporate entities and special purpose vehicles (SPVs).
  - Also include the fair value of significant investments in the capital of unconsolidated financial institutions in the form of common stock held as trading assets that does not exceed the 10 percent and 15 percent common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules.~~[14]~~
  - Also include 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.
  - Also include the fair value of trading assets reported in Schedule RC, item 5, that is not included in columns C through H, J through N, and R. 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.
  - 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 100 percent risk weight.

- *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.

- ~~*In column K–250% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair 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 regulatory capital rules. This risk weight takes effect in 2018, and therefore this item is blocked from being completed until that time. Before 2018, report such significant investments in the 100 percent risk weight category.~~

- *In column L–300% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of publicly traded equity securities with readily determinable fair values.

- *In column M–400% risk weight*, include the portion of the amount reported in Schedule RC, item 5, that does not qualify as securitization exposures that represents the fair value of equity securities (other than those issued by investment firms) that do not have readily determinable fair values.

~~[14] Note: This item will become subject to a 250 percent risk weight beginning in 2018.~~

Part II. (cont.)

Item No. **Caption and Instructions**

8 (cont.)

- 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.

Report as a negative number in column B the amount of default fund contributions in the form of commitments made by a clearing member to a central counterparty's mutualized loss-sharing arrangement.

- *In column C–0% risk weight*, include:
  - The carrying value of Federal Reserve Bank stock included in Schedule RC-F, item 4;
  - Accrued interest receivable on assets included in the zero percent risk weight category (column C of Schedule RC-R, Part II, items 1 through 7);
  - The carrying value of gold bullion not held for trading that is held in the bank's own vault or in another bank's vault on an allocated basis, and exposures that arise from the settlement of cash transactions (such as equities, fixed income, spot foreign exchange, and spot commodities) with a central counterparty where there is no assumption of ongoing credit risk by the central counterparty after settlement of the trade and associated default fund contributions; and
  - The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of these assets collateralized by deposits in the reporting institution.

- *In column G–20% risk weight*, include:
  - The carrying value of Federal Home Loan Bank stock included in Schedule RC-F, item 4;
  - Accrued interest receivable on assets included in the 20 percent risk weight category (column G of Schedule RC-R, Part II, items 1 through 7);
  - The portion of customers' acceptance liability reported in Schedule RC, item 11, that has been participated to other depository institutions; and
  - The portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of these assets covered by FDIC loss-sharing agreements.

- *In column H–50% risk weight*, include accrued interest receivable on assets included in the 50 percent risk weight category (column H of Schedule RC-R, Part II, items 1 through 7). Also include the portion of assets reported in Schedule RC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I–100% risk weight*, include:
  - Accrued interest receivable on assets included in the 100 percent risk weight category (column I of Schedule RC-R, Part II, items 1 through 7);
  - The amount of all other assets reported in column A that is not included in columns B through H, J through N, or R;
  - The amounts of items that do not exceed the 10 percent and 15 percent 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:~~[15]~~
    - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;

~~[15] Note: These items will become subject to a 250 percent risk weight beginning in 2018.~~