Federal Financial Institutions Examination Council

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July 26, 2018

TO: Banking Organizations Subject to the Advanced Approaches Risk-based Capital Rule

SUBJECT: Revisions to the FFIEC 101, Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework

Section 214 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), which was enacted on May 24, 2018, adds a new Section 51 to the Federal Deposit Insurance Act governing the risk-based capital requirements for certain acquisition, development, or construction (ADC) loans. EGRRCPA provides that, effective upon enactment, the federal banking agencies may only require a depository institution to assign a heightened risk weight to a high volatility commercial real estate (HVCRE) exposure if such exposure is an "HVCRE ADC Loan," as defined in Section 214 of this new law.

In the Supplemental Instructions for the Consolidated Reports of Condition and Income (Call Report) for June 2018, the Federal Financial Institutions Examination Council (FFIEC) stated, in part:

> When reporting HVCRE exposures in the Call Report regulatory capital schedule (Schedule RC-R) as of June 30, 2018, and subsequent report dates, institutions may use available information to reasonably estimate and report only "HVCRE ADC Loans" [in the applicable items of Schedule RC-R, Part II]. . . . Institutions may refine their estimates of "HVCRE ADC Loans" in good faith as they obtain additional information, but they will not be required to amend Call Reports previously filed for report dates on or after June 30, 2018, as these estimates are adjusted.
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> Alternatively, institutions may continue to report and risk weight HVCRE exposures in a manner consistent with the current Call Report instructions for Schedule RC-R, Part II, until the agencies take further action.

In the Supplemental Instructions for the FR Y-9C, Consolidated Financial Statements for Holding Companies, the Federal Reserve Board stated, in part:

> To avoid the regulatory burden associated with applying different definitions for HVCRE exposures within a single organization, the Federal Reserve will not take action to require a BHC, savings and loan holding company, or intermediate holding company of a foreign

> bank to estimate and report HVCRE on Schedule HC-R, Part II, . . . of the FR Y-9C consistent with the existing regulatory requirements and reporting form instructions if the holding company reports HVCRE in a manner consistent with its subsidiary depository institution(s) on the Call Report. A holding company may also continue to report and risk-weight HVCRE exposures in a manner consistent with the current instructions to Schedule HC-R, Part II of the FR Y-9C [until the agencies take further action].

To avoid the regulatory burden associated with applying different definitions for HVCRE exposures across the FFIEC 101 report, the Call Report, and the FR Y-9C within a single organization, the primary federal regulator of an institution subject to the advanced approaches rule will not take action to require the institution to estimate and report HVCRE on Schedules B and G of the FFIEC 101 consistent with the existing regulatory requirements and reporting form instructions if the institution reports HVCRE in a definitional manner consistent with its Call Report or FR Y-9C submission, as applicable, until the agencies take further action.

Please see the Appendix to the Call Report Supplemental Instructions for June 2018 for the text of Section 214 of EGRRCPA, which includes the definition of "HVCRE ADC Loan."

If you have any questions concerning the reporting of HVCRE exposures in the FFIEC 101, please contact Matthew McQueeney at the Board (202-452-2942, matthew.j.mcqueeney@frb.gov), Michael Maloney at the FDIC (202-898-6516, mmaloney@fdic.gov), or Benjamin Pegg at the OCC (202-649-7146, benjamin.pegg@occ.treas.gov).

signed by

Judith E. Dupré
Executive Secretary