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Federal Financial Institutions Examination Council
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SUPPLEMENTAL INSTRUCTIONS

December 2021 Call Report Materials

A new Call Report data item, "Standardized Approach for Counterparty Credit Risk opt-in election," takes effect this quarter in the three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051) and applies to Call Report Schedule RC-R – Regulatory Capital, item 31.b. The new data item is related to the final rule on Standardized Approach for Counterparty Credit Risk (SA-CCR),[1] which allows for enhanced comparability of the reported derivative data and better supervision of the implementation of the framework at institutions that adopt SA-CCR. Also, beginning with the December 31, 2021, report date, institutions that file the FFIEC 051 will report five new data items related to sweep deposits on Schedule RC-E, Deposit Liabilities. These data items are reported semiannually on the June and December FFIEC 051 Call Report form. These data items became effective as of September 30, 2021 and are reported quarterly for institutions that file the FFIEC 031 and FFIEC 041 Call Report forms.

The Legal Entity Identifier (LEI) was added to the Call Report beginning with the March 31, 2017, report date. Since that time, regulators and market participants have recognized the importance of the LEI as a key improvement in financial data systems. However, a recent review of reported data identified a significant number of institutions that have an LEI but are not reporting the LEI on their Call Report. Institutions are reminded that the LEI must be provided on the Call Report if the institution already has an LEI. An institution that does not have an LEI is not required to obtain one for purposes of reporting it on the Call Report.

The topics on "Revenue Recognition: Accounting for Sales of OREO" and "New Revenue Recognition Accounting Standard" have been removed. All institutions will have been required to adopt ASU No. 2014-09, "Revenue from Contracts with Customers," before the December 31, 2021, report date. ASU 2014-09 applies to the accounting for the sale or transfer of repossessed nonfinancial assets such as other real estate owned (OREO). An institution that is a private company with a fiscal year other than the calendar year (e.g., an institution with a fiscal year that begins November 1) and elected to defer the adoption of the new standard must apply the revenue recognition standard on a modified retrospective basis as of the original or deferred effective date of the standard and determine the effect on its retained earnings as of January 1, 2021, upon adopting the revenue recognition standard as of November 1, 2020. The institution should report the effect of this change in accounting principle, net of applicable income taxes, as a direct adjustment to equity capital in Schedule RI-A, item 2, in the Call Report for December 31, 2021. The institution also must report calendar year-to-date revenue in its Call Report income statement in accordance with this new standard beginning as of January 1, 2021.

Given ASC Subtopic 610-20 supersedes ASC Subtopic 360-20, the December 2021 instruction book updates the Call Report Glossary entries for "Foreclosed Assets" and "Revenue from Contracts with Customers" to remove outdated language related to ASC Subtopic 360-20. Language that is no longer applicable was also removed from instructions in Schedule RC – Balance Sheet and Schedule RC-M – Memoranda.

The FFIEC 031 and FFIEC 041 Call Report instruction book update also includes revisions to Schedule RC-R – Regulatory Capital, implementing the total loss absorbing capacity (TLAC) investments final rule, with minor technical modifications to closer align the instructions with the TLAC investments final rule.

An additional technical correction has been made to the Call Report instruction book, with regard to the definition in the Glossary entry for "Brokered Deposits" to align with Section 337.6(a) of the FDIC's regulations.

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[1] 85 FR 4362 (January 24, 2020).

In general, institutions with domestic offices only and total assets less than $5 billion as of June 30, 2020, were eligible to file the FFIEC 051 Call Report as of March 31, 2021, but such institutions had the option to file the FFIEC 041 Call Report instead as of that date.[2] Institutions are expected to file the same report form, either the FFIEC 051 or the FFIEC 041, for each quarterly report date during 2021.

As a reminder, beginning in March 2022, the temporary asset threshold relief extended to institutions for calendar year 2021 expires.[2] Additionally, the relief under Section 4013, Temporary Relief from Troubled Debt Restructurings; Section 4014, Optional Temporary Relief from Current Expected Credit Losses of the CARES Act; and temporary adjustments to the optional community bank leverage ratio framework[3] expire January 1, 2022.

Separate updates to the instruction book for the FFIEC 051 Call Report and the instruction book for the FFIEC 031 and FFIEC 041 Call Reports for December 2021 soon will be available for printing and downloading from the FFIEC's website (https://www.ffiec.gov/ffiec_report_forms.htm) and the FDIC's website (https://www.fdic.gov/callreports). Sample FFIEC 051, FFIEC 041, and FFIEC 031 Call Report forms, including the cover (signature) page, for December 2021 also can be printed and downloaded from these websites. In addition, institutions that use Call Report software generally can print paper copies of blank forms from their software. Please ensure that the individual responsible for preparing the Call Report at your institution has been notified about the electronic availability of the December 2021 report forms, instruction book updates, and these Supplemental Instructions. The locations of changes to the text of the previous quarter's Supplemental Instructions (except references to the quarter-end report date) are identified by a vertical line in the right margin.

Submission of Completed Reports

Each institution's Call Report data must be submitted to the FFIEC's Central Data Repository (CDR), an Internet-based system for data collection (https://cdr.ffiec.gov/cdr/), using one of the two methods described in the banking agencies' Financial Institution Letter (FIL) for the December 31, 2021, report date. The CDR Help Desk is available from 9:00 a.m. until 8:00 p.m., Eastern Time, Monday through Friday, and Saturday, January 29, 2022, to provide assistance with user accounts, passwords, and other CDR system-related issues. The CDR Help Desk can be reached by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at cdr.help@cdr.ffiec.gov.

Institutions are required to maintain in their files a signed and attested hard-copy record of the Call Report data file submitted to the CDR. (See the next section for information on the Call Report signature requirement.) The appearance of this hard-copy record of the submitted data file need not match exactly the appearance of the sample report forms on the FFIEC's website, but the hard-copy record should show at least the caption of each Call Report item and the reported amount. A copy of the cover page printed from Call Report software or from the FFIEC's website should be used to fulfill the signature and attestation requirement. The signed cover page should be attached to the hard-copy record of the Call Report data file that must be placed in the institution's files.

Currently, Call Report preparation software products marketed by (in alphabetical order) Axiom Software Laboratories, Inc.; DBI Financial Systems, Inc.; Fed Reporter, Inc.; FIS Compliance Solutions; FiServ, Inc.; KPMG LLP; SHAZAM Core Services; Vermeg; and Wolters Kluwer Financial Services meet the technical specifications for producing Call Report data files that are able to be processed by the CDR. Contact information for these vendors is provided on the final page of these Supplemental Instructions.

Call Report Signature Requirement and COVID-19

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[2] In response to the financial market disruptions from COVID-19, the banking agencies have adjusted the measurement date for certain total asset thresholds that trigger additional reporting requirements in the Call Reports, including the $5 billion asset threshold eligibility criteria for filing the FFIEC 051, for report dates in 2021 only. See section "Temporary Adjustment to the Measurement Date for Certain Total Asset Thresholds in the Call Reports" of these Supplemental Instructions for details.

[3] 85 FR. 64003 (October 9, 2020).

Generally, each Call Report submission must be signed by the Chief Financial Officer (or equivalent) and three directors (two for state nonmember banks).[4] While the Call Report data submission occurs electronically, the current Call Report instructions require that the signed cover page must be attached to a printout or copy of the Call Report forms or data reported to the agencies. The agencies note that while the instructions refer to a single page, the required signatures may be obtained on separate cover pages from each required signer, rather than by obtaining all signatures on a single cover page.

Business disruptions related to the Coronavirus Disease 2019 (COVID-19), including distancing requirements and remote work, may make it operationally challenging for an institution to obtain original ink signatures from all required signers in order to submit the Call Report on a timely basis. Therefore, for the duration of the COVID-19 disruptions, including for the December 31, 2021, Call Report, the agencies will permit an institution to use electronic signatures in lieu of ink signatures to fulfill the Call Report attestation requirement. The institution should follow appropriate governance procedures for collecting and retaining electronic signatures:

- The signature is executed by the required signer with the intent to sign;
- The signature is digitally attached to or associated with a copy of the Call Report;
- The signature or process identifies and authenticates the required signer; and
- The institution maintains the electronically signed Call Report and has it available for subsequent examiner review.

One acceptable method during the COVID-19 disruption could include obtaining written attestation via e-mail from the required signer to the person submitting the Call Report data, provided the e-mail included an attached electronic version of the Call Report data and indicating the attestation is based on the attached information. That e-mail should be retained in the institution's records to support that the Call Report was appropriately attested to by the required signer. Institutions should discuss any concerns regarding the attestation with their primary federal regulator.

U.S. Department of the Treasury Emergency Capital Investment Program

On March 22, 2021, the agencies published in the Federal Register an interim final rule (IFR)[5] that supports the U.S. Department of the Treasury (Treasury Department) implementation of the Emergency Capital Investment Program (ECIP) established by Congress to make capital investments in minority depository institutions and community development financial institutions. The IFR revised the agencies' capital rules to provide that the Treasury Department's investments under the ECIP qualify as regulatory capital of insured depository institutions and holding companies. The program will support the efforts of these financial institutions to provide loans, grants, and forbearance to small businesses, minority-owned businesses, and consumers, especially in low-income and underserved communities, which may be disproportionately affected by COVID-19. Under the program, the Treasury Department will purchase preferred stock or subordinated debt from qualifying minority depository institutions and community development financial institutions, with the corresponding dividend or interest rate based on the institution meeting lending targets.

As described in the terms published by the Treasury Department, Senior Preferred Stock issued under ECIP will be noncumulative, perpetual preferred stock that is senior to the issuer's common stock and pari passu with (or, in some cases, senior to) the issuer's most senior class of existing preferred stock. Subordinated Debt issued under ECIP will be unsecured subordinated debt. The Subordinated Debt will rank junior to all other debt of the issuer except that it will rank senior to mutual capital certificates or similar instruments issued by a mutual banking organization and to any equity instruments issued by an S corporation.

The noncumulative perpetual preferred stock issued under the Treasury Department's ECIP should be reported on the Call Report balance sheet (Schedule RC) in item 23, "Perpetual preferred stock and related surplus." For regulatory capital purposes, the noncumulative perpetual preferred stock issued under the Treasury Department's ECIP qualifies as additional Tier 1 capital,[6] reported in Schedule RC-R, Part I, line item 20 and should be included in the amount reported for "Tier 1 capital" in Schedule RC-R, Part I, line item 26.

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[4] See, e.g., 12 U.S.C. §§ 161(a) and 1817(a)(3).
[5] 86 FR 15076 (March 22, 2021).
[6] See 12 CFR 3.20 (OCC); 12 CFR 217.20 (Board); 12 CFR 324.20 (FDIC).

The full amount of all subordinated debt instruments issued under the Treasury Department's ECIP should be reported in Schedule RC, item 19, "Subordinated notes and debentures." For regulatory capital purposes, an institution would report these subordinated debt instruments in Schedule RC-R, item 39, "Tier 2 capital instruments plus related surplus," as applicable.

Section 2303, Modifications for Net Operating Losses

Section 2303 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)[7] makes two changes to sections of the Internal Revenue Code that were impacted by the Tax Cuts and Jobs Act, which was enacted on December 22, 2017, related to (1) net operating loss (NOL) carryforwards and (2) NOL carrybacks. As stated in the Glossary entry for "Income Taxes" in the Call Report instructions, when an institution's deductions exceed its income for income tax purposes, it has sustained an NOL. To the extent permitted under a taxing authority's laws and regulations, an NOL that occurs in a year following periods when an institution had taxable income may be carried back to recover income taxes previously paid. Generally, an NOL that occurs when loss carrybacks are not available becomes an NOL carryforward.

The CARES Act (1) repeals the 80 percent taxable income limitation for NOL carryback and carryforward deductions in tax years beginning before 2021, and (2) for NOL carrybacks under federal law, allows an institution to apply up to 100 percent of a carryback for up to five years for any NOLs incurred in taxable years 2018, 2019, and 2020. Although the Glossary entry for "Income Taxes" currently refers to federal law prior to the CARES Act (e.g., indicating that, "for years beginning on or after January 1, 2018, a bank may no longer carry back operating losses to recover taxes paid in prior tax years"), institutions should use the newly enacted provisions of federal law within the CARES Act when determining the extent to which NOLs may be carried forward or back.

Additionally, deferred tax assets (DTAs) are recognized for NOL carryforwards as well as deductible temporary differences, subject to estimated realizability. As a result, an institution can recognize the tax benefit of an NOL for accounting and reporting purposes to the extent the institution determines that a valuation allowance is not considered necessary (i.e., realization of the tax benefit is more likely than not). U.S. generally accepted accounting principles (GAAP) require the effect of changes in tax laws or rates to be recognized in the period in which the legislation is enacted.

As mentioned above, the CARES Act restores NOL carryback potential for federal income tax purposes to NOLs incurred in taxable years 2018, 2019, and 2020. Consequently, institutions should note that DTAs arising from temporary differences that could be realized through NOL carrybacks are not subject to deduction for regulatory capital purposes. Instead, except for institutions that have a community bank leverage ratio framework election in effect, such DTAs are assigned a risk weight of 100 percent. Only those DTAs arising from temporary differences that could not be realized through NOL carrybacks, net of related valuation allowances and net of deferred tax liabilities, that exceed the thresholds described in Call Report Schedule RC-R, Part I, items 15, 15.a, and 15.b, as applicable, and item 16, if applicable, are deducted from common equity tier 1 capital.

Section 4014, Optional Temporary Relief from Current Expected Credit Losses

Section 4014 of the CARES Act, as amended by the Consolidated Appropriations Act, 2021,[8] allows an institution to delay the adoption of Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, until the earlier of (1) January 1, 2022, or (2) the first day of the institution's fiscal year that begins after the date of the termination of the National Emergency.

Temporary Adjustment to the Measurement Date for Certain Total Asset Thresholds in the Call Reports

Institutions should note that the guidance described in this section applies to calendar year 2021 and beginning in March 2022 asset thresholds will generally revert back to an institution's total assets as of June 30 of the prior year (i.e., June 30, 2021, for calendar year 2022). Those institutions that elect the optional

[7] Pub. L. 116-136.
[8] Pub. L. 116-260.

CBLR framework may also now refer to Interagency Statement on the Community Bank Leverage Ratio Framework for more information and guidance on the use of the two-quarter grace period when the temporary relief measures affecting the framework expire on December 31, 2021 (see FIL 81-2021 dated December 21, 2021).

During 2020, relief measures enacted by Congress through the CARES Act in response to the strains on the U.S. economy and disruptions to the financial markets as a result of COVID-19 have led to unprecedented growth at many institutions, including loans made through the Paycheck Protection Program (PPP). This rapid growth caused the assets of some institutions to rise above certain asset-based thresholds. Much of this growth, especially growth related to PPP lending, is likely to be temporary, and the increase in assets currently held by an institution may not reflect a change in the institution's longer-term risk profile. To provide reporting relief due to institutions' asset growth in 2020 related to participation in various COVID-19-related stimulus activities, the agencies have adjusted the measurement date for certain total asset thresholds that trigger additional reporting requirements in the Call Reports for report dates in 2021 only, as discussed below.

First, on December 2, 2020, the agencies published in the *Federal Register* an IFR that, among other provisions, revises their rules on FFIEC 051 Call Report eligibility[9] to permit an institution to use the lesser of the total consolidated assets reported in its Call Report as of December 31, 2019, or June 30, 2020, when evaluating eligibility to use the FFIEC 051 for report dates in calendar year 2021 only.[10] The institution still must meet the other criteria for eligibility to file the FFIEC 051 in the Call Report instructions. In addition, the banking agencies also reserve the right to require an institution otherwise eligible to use the FFIEC 051 to file the FFIEC 041 Call Report instead based on supervisory needs.

For example, if an institution has $5.3 billion in total consolidated assets as of June 30, 2020, but had $4.8 billion as of December 31, 2019, and meets the other criteria for eligibility for the FFIEC 051 in the Call Report instructions, it could choose to file the FFIEC 051 for the March 31, 2021, report date. Unless a change of status event occurs as described in the Call Report General Instructions or as directed by its primary regulatory agency, the institution would continue to file the FFIEC 051 Call Report for the remaining three quarters of calendar year 2021.

Secondly, the agencies' capital rules permit institutions that meet certain criteria to use the community bank leverage ratio (CBLR) framework to measure their regulatory capital.[11] The agencies' IFR also revises these capital rules to allow institutions that temporarily exceed the $10 billion total asset threshold in those rules to use the CBLR framework from December 31, 2020, to December 31, 2021, provided they meet the other qualifying criteria for this framework.[12] An institution that elects to use the CBLR framework under this temporary relief would report CBLR information in Call Report Schedule RC-R, Part I, as reflected in the Call Report instruction book, except that the institution should:

- Report the lesser of its total assets as of December 31, 2019, or as of the current quarter-end report date, which must be less than $10 billion, in Schedule RC-R, Part I, item 32, "Total assets."

- Use its total assets as reported in Schedule RC, item 12, as of the current quarter-end report date when reporting (1) the sum of trading assets and trading liabilities as a percentage of total assets, which must be 5 percent or less, in Schedule RC-R, item 33, column B, and (2) total off-balance sheet exposures as a percentage of total assets, which must be 25 percent or less, in Schedule RC-R, Part I, item 34.d, column B.

In addition, on November 30, 2020, the agencies proposed to permit an institution to use the lesser of the total consolidated assets reported in its Call Report as of December 31, 2019, or June 30, 2020, when determining whether the institution has crossed a total asset threshold to report certain additional data items in its Call Reports for report dates in calendar year 2021.[13] The Office of Management and Budget approved these revisions on March 25, 2021. The Call Report forms' thresholds footnotes for these affected items have been

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[9] *See* definition of *covered depository institutions*. 12 CFR 52.2 (OCC); 12 CFR 208.121 (Board); 12 CFR 304.12 (FDIC).
[10] 85 FR 77345 (December 2, 2020).
[11] *See* 12 CFR 3.12 (OCC); 12 CFR 217.12 (Board); 12 CFR 324.12 (FDIC).
[12] See footnote 9.
[13] 85 FR 76658 (November 30, 2020).

updated as of the March 31, 2021, report date, to reflect this temporary change in measurement dates.

Certain items that apply to institutions with less than $300 million in total consolidated assets are also based on whether an institution had agricultural loans (Schedule RC-C, Part I, item 3) exceeding 5 percent of total loans and leases (Schedule RC-C, Part I, item 12) reported as of June 30 of the prior calendar year. For these items, if an institution's total consolidated assets are less than $300 million as of December 31, 2019, but are $300 million or more as of June 30, 2020 (or vice versa), the institution would determine whether it exceeded the 5 percent threshold as of the same date as of which its total consolidated assets are less than $300 million.

For example, if an institution's total consolidated assets exceeded the $300 million total asset threshold as of the June 30, 2020, report date, but not as of the December 31, 2019, report date, the institution would use December 31, 2019, as its measurement date for determining whether it exceeded the 5 percent activity threshold for agricultural loans.

However, if an institution's total consolidated assets are less than $300 million as of both December 31, 2019, and June 30, 2020, the institution has not crossed the $300 million total asset threshold as it would be measured under the agencies' reporting relief proposal. Accordingly, the institution would measure the 5 percent activity threshold as of June 30, 2020, consistent with the existing Call Report instructions.

See Appendix II of the December 31, 2020, Supplemental Instructions for a full listing of items that the alternate measurement date may be used during 2021 only.

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The ASU states that "[r]eference rates such as the London Interbank Offered Rate (LIBOR) are widely used in a broad range of financial instruments and other agreements. Regulators and market participants in various jurisdictions have undertaken efforts, generally referred to as reference rate reform, to eliminate certain reference rates and introduce new reference rates that are based on a larger and more liquid population of observable transactions. As a result of this initiative, certain widely used reference rates such as LIBOR are expected to be discontinued."

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

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

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

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

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

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

The ASU is effective for all institutions as of March 12, 2020, through December 31, 2022. For additional information, institutions should refer to ASU 2020-04, which is available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176174318625&acceptedDisclaimer=true.

Credit Losses on Financial Instruments

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

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

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

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

Institutions must apply ASU 2016-13 for Call Report purposes in accordance with the effective dates set forth in the ASU as amended in November 2019. An institution that early adopts ASU 2016-13 for U.S. GAAP financial reporting purposes should also early adopt the ASU in the same period for Call Report purposes. However, Section 4014 of the CARES Act, as amended by Section 540 of the Consolidated Appropriations Act, 2021, allows an institution to delay the adoption of ASU 2016-13 until the earlier of (1) January 1, 2022, or (2) the first day of the institution's fiscal year that begins after the date of the termination of the national emergency concerning the coronavirus outbreak declared by the President on March 13, 2020, under the National Emergencies Act.

For additional information, institutions should refer to the agencies' Interagency Policy Statement on Allowances for Credit Losses, which was published June 1, 2020. Since the issuance of ASU 2016-13, the FASB has published the following amendments to the new credit losses accounting standard:

- ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176171644373&acceptedDisclaimer=true;
- ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176172541591&acceptedDisclaimer=true;
- ASU 2019-05, "Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176172668879&acceptedDisclaimer=true;
- ASU 2019-10, "Financial Instruments–Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173775344&acceptedDisclaimer=true;
- ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173831330&acceptedDisclaimer=true; and
- ASU 2020-03, "Codification Improvements to Financial Instruments," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176174290619&acceptedDisclaimer=true.

Accounting for Hedging Activities

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

For institutions that are public business entities, as defined under U.S. GAAP, ASU 2017-12 is currently in effect. For institutions that are not public business entities (i.e., that are private companies), the FASB issued ASU 2019-10 on November 15, 2019, to defer the effective date of ASU 2017-12 by one year. As amended by ASU 2019-10, ASU 2017-12 is now effective for entities that are not public business entities.

The Call Report instructions, including the Glossary entry for "Derivative Contracts," will be revised to conform to the ASU at a future date.

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

Accounting for Leases

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

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

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

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

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

For institutions that are public business entities, as defined under U.S. GAAP, ASU 2016-02 is currently in effect. For institutions that are not public business entities (i.e., that are private companies), ASU 2016-02, as amended in 2019, was scheduled to take effect for fiscal years beginning after December 15, 2020, and interim reporting periods within fiscal years beginning after December 15, 2021. However, to provide immediate, near-term relief because of the significant business disruptions caused by the COVID-19 pandemic, the FASB issued ASU No. 2020-05, "Effective Dates for Certain Entities," on June 3, 2020, to defer, for one year, the required effective date of the new lease accounting standard for entities not yet required to adopt ASU 2016-02. As a result, ASU 2016-02 will now take effect for institutions that are private companies for fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022. Early application of ASU 2016-02 continues to be permitted. An institution that early adopts the new standard must apply it in its entirety to all lease-related transactions. If an institution chooses to early adopt the new standard for financial reporting purposes, the institution should implement the new standard in its Call Report for the same quarter-end report date.

Under ASU 2016-02, an institution must apply the new leases standard on a modified retrospective basis for financial reporting purposes. Under the modified retrospective method, an institution should apply the leases standard and the related cumulative-effect adjustments to affected accounts existing as of the beginning of the earliest period presented in the financial statements. However, as explained in the "Changes in accounting principles" section of the Glossary entry for "Accounting Changes" in the Call Report instructions, when a new accounting standard (such as the leases standard) requires the use of a retrospective application method, institutions should instead report the cumulative effect of adopting the new standard on the amount of retained earnings at the beginning of the year in which the new standard is first adopted for Call Report purposes (net of applicable income taxes, if any) as a direct adjustment to equity capital in the Call Report. For the adoption of the new leases standard, the cumulative-effect adjustment to bank equity capital for this change in accounting principle should be reported in Schedule RI-A, item 2, and disclosed in Schedule RI-E, item 4.b, "Effect of adoption of lease accounting standard - ASC Topic 842." In July 2018, the FASB issued ASU 2018-11, "Targeted Improvements," which provides an additional and "optional transition method" for comparative reporting purposes at adoption of the new leases standard. Under this optional transition method, an institution initially applies the new leases standard at the adoption date (e.g., January 1, 2022, for an institution that is a private company with a calendar year fiscal year) and, for Call Report purposes, the institution should recognize and report a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with the Glossary instructions described above.

For Call Report purposes, all ROU assets for operating leases and finance leases, including ROU assets for operating leases recorded upon adoption of ASU 2016-02, should be reflected in Schedule RC, item 6, "Premises and fixed assets."

Institutions that have adopted ASU 2016-02 should report the lease liability for operating leases on the Call Report balance sheet in Schedule RC, item 20, ''Other liabilities.'' In Schedule RC-G, Other Liabilities, operating lease liabilities should be reported in item 4, "All other liabilities." In addition, institutions should report the amount of operating lease liabilities in Schedule RC-G, item 4.e, if this amount is greater than $100,000 and exceeds 25 percent of the total amount reported in Schedule RC-G, item 4. Lease liabilities for finance leases should be reported in Schedule RC-M, items 5.b, "Other borrowings," and 10.b, "Amount of 'Other borrowings' that are secured."

For an operating lease, a lessee should report a single lease cost for the lease in the Call Report income statement, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, in Schedule RI, item 7.b, "Expenses of premises and fixed assets." For a finance lease, a lessee should report interest expense on the lease liability separately from the amortization expense on the ROU asset. The interest expense should be reported on Schedule RI in item 2.c, "Other interest expense," on the FFIEC 051 and in item 2.c, "Interest on trading liabilities and other borrowed money," on the FFIEC 031 and the FFIEC 041. The amortization expense should be reported on Schedule RI in item 7.b, "Expenses of premises and fixed assets."

To the extent an ROU asset arises due to a lessee's lease of a tangible asset (e.g., building or equipment), the ROU asset should be treated as a tangible asset not subject to deduction from regulatory capital. Except for institutions that have a community bank leverage ratio framework election in effect, an ROU asset not subject to deduction must be risk weighted at 100 percent in accordance with the agencies' regulatory capital rules and included in a lessee institution's calculations of total risk-weighted assets. In addition, an ROU asset must be included in a lessee institution's total assets for leverage capital purposes.

For additional information on ASU 2016-02, institutions should refer to the FASB's website at https://www.fasb.org/leases, which includes a link to the lease accounting standard and subsequent amendments to this standard. Institutions may also refer to the Glossary entry for "Lease Accounting" in the Call Report instruction books, which was updated as of September 30, 2020, in response to the changes in the accounting for leases summarized above.

Amending Previously Submitted Report Data

Should your institution find that it needs to revise previously submitted Call Report data, please make the appropriate changes to the data, ensure that the revised data passes the FFIEC-published validation criteria, and submit the revised data file to the CDR using one of the two methods described in the banking agencies' FIL for the December 31, 2021, report date. For technical assistance with the submission of amendments to the CDR, please contact the CDR Help Desk by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at cdr.help@cdr.ffiec.gov.

Other Reporting Matters

For the following topics, institutions should continue to follow the guidance in the specified Call Report Supplemental Instructions:

- Appendix I: Coronavirus Aid, Relief, and Economic Security Act: Accounting and Reporting Considerations – Supplemental Instructions for December 31, 2020 (https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_FFIEC051_suppinst_202012.pdf)
- True-up Liability under an FDIC Loss-Sharing Agreement – Supplemental Instructions for June 30, 2015 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201506.pdf)
- Troubled Debt Restructurings, Current Market Interest Rates, and ASU No. 2011-02 – Supplemental Instructions for December 31, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201412.pdf)
- Determining the Fair Value of Derivatives – Supplemental Instructions for June 30, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf)
- Indemnification Assets and ASU No. 2012-06 – Supplemental Instructions for June 30, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf)
- Small Business Lending Fund – Supplemental Instructions for March 31, 2013 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201303.pdf)
- Reporting Purchased Subordinated Securities in Schedule RC-S – Supplemental Instructions for September 30, 2011 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Treasury Department's Capital Purchase Program – Supplemental Instructions for September 30, 2011 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Deposit insurance assessments – Supplemental Instructions for September 30, 2009 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.pdf)
- Accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* – Supplemental Instructions for December 31, 2006 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200612.pdf)
- Commitments to originate and sell mortgage loans – Supplemental Instructions for March 31, 2006 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf) and June 30, 2005 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200506.pdf)

Call Report Software Vendors

For information on available Call Report preparation software products, institutions should contact:

Axiom Software Laboratories, Inc.
67 Wall Street, 17th Floor
New York, New York 10005
Telephone: (212) 248-4188
http://www.axiomsl.com

DBI Financial Systems, Inc.
P.O. Box 14027
Bradenton, Florida 34280
Telephone: (800) 774-3279
http://www.e-dbi.com

Fed Reporter, Inc.
28118 Agoura Road, Suite 202
Agoura Hills, California 91301
Telephone: (888) 972-3772
http://www.fedreporter.net

FIS Compliance Solutions
16855 West Bernardo Drive, Suite 270
San Diego, California 92127
Telephone: (800) 825-3772
http://www.callreporter.com

FiServ, Inc.
1345 Old Cheney Road
Lincoln, Nebraska 68512
Telephone: (402) 423-2682
http://www.fiserv.com

KPMG LLP
303 Peachtree Street, Suite 2000
Atlanta, Georgia 30308
Telephone: (404) 221-2355
http://advisory.kpmg.us

SHAZAM Core Services
6700 Pioneer Parkway
Johnston, Iowa 50131
Telephone: (888) 262-3348
http://www.shazam.net

Vermeg
205 Lexington Avenue, 14th floor
New York, New York 10016
Telephone: (212) 682-4930
http://www.vermeg.com

Wolters Kluwer Financial Services
130 Turner Street, Building 3, 4th Floor
Waltham, Massachusetts 02453
Telephone (800) 261-3111
http://www.wolterskluwer.com