

## **SCHEDULE RC-Q – FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE**

### **General Instructions**

Schedule RC-Q is to be completed by banks that have adopted FASB Statement No. 157, “Fair Value Measurements” (FAS 157), and either:

- (1) Have elected to report certain assets and liabilities at fair value with changes in fair value recognized in earnings in accordance with U.S. generally accepted accounting principles (GAAP) (i.e., FASB Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (FAS 159); FASB Statement No. 155, “Accounting for Certain Hybrid Financial Instruments” (FAS 155); and FASB Statement No. 156, “Accounting for Servicing of Financial Assets” (FAS 156)). This election is generally referred to as the fair value option.

OR

- (2) Are required to complete Schedule RC-D, Trading Assets and Liabilities.

For purposes of the Reports of Condition and Income, banks must adopt FAS 157 in accordance with its effective date. Except for banks that have issued financial statements and filed Reports of Condition and Income that include the adoption of FAS 157 in its entirety, banks must adopt FAS 157 for all financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) in the first fiscal quarter of their first fiscal year beginning after November 15, 2007. Banks must adopt FAS 157 for all other nonfinancial assets and nonfinancial liabilities in the first fiscal quarter of their first fiscal year beginning after November 15, 2008. Thus, banks with a calendar year fiscal year that did not early adopt FAS 157 must adopt this accounting standard for all financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value on a recurring basis as of January 1, 2008, and for all other nonfinancial assets and nonfinancial liabilities as of January 1, 2009.

### **Column Instructions**

#### **Column A, Total Fair Value Reported on Schedule RC**

For items 1, 2.a, 3, 4, 6, and 7, include in Column A the total fair value of those assets and liabilities reported on Schedule RC, Balance Sheet, that the bank has elected to report at fair value under a fair value option. For items 2 and 5, include in Column A the total amount of trading assets and trading liabilities, including items accounted for under a fair value option that are designated as trading, reported in Schedule RC, item 5 and item 15, respectively.

#### **Columns B through E, Fair Value Measurements and Netting Adjustments**

For items reported in Column A, report in Columns C, D, and E the fair value amounts which fall in their entirety in Levels 1, 2, and 3, respectively. The level in the fair value hierarchy within which a fair value measurement in its entirety falls should be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, for example, if the fair value of an asset or liability has elements of both Level 2 and Level 3 measurement inputs, report the entire fair value of the asset or liability in Column D or Column E based on the lowest level measurement input with the most significance

**Column Instructions (cont.)**

to the fair value of the asset or liability in its entirety as described in FAS 157. For assets and liabilities that the bank has netted under legally enforceable master netting agreements in accordance with FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts," or FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements," report the gross amounts in Columns C, D, and E and the related netting adjustment in Column B. For more information on Level 1, 2, and 3 measurement inputs, see the Glossary entry for "fair value."

**Item Instructions**

For each item in Schedule RC-Q, the sum of columns C, D, and E less column B must equal column A.

**Item No.    Caption and Instructions**

- 1        **Loans and leases.** Report in the appropriate column the total fair value of those loans reported in Schedule RC-C that the bank has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Loans held for sale that the bank has elected to report under the fair value option are included in Schedule RC-C and Schedule RC, item 4.a. Loans held for investment that the bank has elected to report under the fair value option are included in Schedule RC-C and Schedule RC, item 4.b. Leases are generally not eligible for the fair value option. Exclude loans held for sale that are reported at the lower of cost or fair value in Schedule RC, item 4.a, and loans that have been reported as trading assets in Schedule RC, item 5.
  
- 2        **Trading assets.** Report in the appropriate column the total fair value of trading assets as reported in Schedule RC, item 5; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs, including loans that have been reported as trading; and any netting adjustments.
  
- 2.a      **Nontrading securities at fair value with changes in fair value reported in current earnings.** Report in the appropriate column the total fair value of those securities the bank has elected to report under the fair value option that is included in Schedule RC-Q, item 2 above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Securities that the bank has elected to report at fair value under the fair value option are reported as trading securities pursuant to FAS 159 even though management did not acquire the securities principally for the purpose of trading.
  
- 3        **All other financial assets and servicing assets.** Report in the appropriate column the total fair value of all other assets (except loan commitments reported in Schedule RC-Q, item 7 below) the bank has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 1 and 2 above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Exclude assets required to be measured at fair value for which the fair value option would not be applicable, such as derivative assets held for purposes other than trading and interest-only strips receivable (not in the form of a security). Because these categories of assets are required to be reported at fair value on the balance sheet under applicable accounting standards, the fair value option cannot be applied to them.

**Item No.**    **Caption and Instructions**

- 4        **Deposits.** Report in the appropriate column the total fair value of those deposits the bank has elected to report under the fair value option that is included in Schedule RC, items 13.a and 13.b; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Deposits withdrawable on demand (e.g., demand and savings deposits in domestic offices) are generally not eligible for the fair value option.
- 5        **Trading liabilities.** Report in the appropriate column the total fair value of trading liabilities as reported in Schedule RC, item 15; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.
- 6        **All other financial liabilities and servicing liabilities.** Report in the appropriate column the total fair value of all other liabilities (except loan commitments reported in Schedule RC-Q, item 7 below) the bank has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 4 and 5 above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.
- Exclude liabilities required to be measured at fair value for which the fair value option would not be applicable, such as derivative liabilities held for purposes other than trading. Because these liabilities are required to be reported at fair value on the balance sheet under applicable accounting standards, the fair value option cannot be applied to them.
- 7        **Loan commitments (not accounted for as derivatives).** Report in the appropriate column the total fair value of those unused loan commitments the bank has elected to report under the fair value option that is included in Schedule RC, Balance Sheet; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Exclude unused loan commitments that meet the definition of a derivative under GAAP. For purposes of this item, report the net fair value of unused loan commitments reported as assets and those reported as liabilities. If the net fair value is a liability, report it as a negative number.