

CALL REPORT
INSTRUCTION BOOK UPDATE
SEPTEMBER 2011

FILING INSTRUCTIONS

NOTE: This instruction book update is designed for two-sided (duplex) printing. The pages listed in the column below headed "Remove Pages" are no longer needed in the *Instructions for Preparation of Consolidated Reports of Condition and Income* and should be removed and discarded. The pages listed in the column headed "Insert Pages" are included in this instruction book update and should be filed promptly in your instruction book.

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Item No. Caption and Instructions

1.d.(3) Exclude from interest and dividend income on all other securities:
(cont.)

- (1) Income from equity securities that do not have readily determinable fair values (report as "Other interest income" in Schedule RI, item 1.g).
- (2) The bank's proportionate share of the net income or loss from its investments in the stock of unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report income or loss before extraordinary items and other adjustments as "Noninterest income" in the appropriate subitem of Schedule RI, item 5, and report extraordinary items and other adjustments in Schedule RI, item 11).

1.e **Interest income on trading assets.** Report the interest income earned on assets reportable in Schedule RC, item 5, "Trading assets."

Include accretion of discount on assets held for trading that have been issued on a discount basis, such as U.S. Treasury bills and commercial paper.

Exclude gains (losses) and fees from trading assets, which should be reported in Schedule RI, item 5.c, "Trading revenue." Also exclude revaluation adjustments from the periodic marking to market of derivative contracts held for trading purposes, which should be reported as trading revenue in Schedule RI, item 5.c. The effect of the periodic net settlements on these derivative contracts should be included as part of the revaluation adjustments from the periodic marking to market of the contracts.

1.f **Interest income on federal funds sold and securities purchased under agreements to resell.** Report the gross revenue from assets reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell." Include interest income earned on federal funds sold and securities purchased under agreements to resell that are reported at fair value under a fair value option.

Report the expense of federal funds purchased and securities sold under agreements to repurchase in Schedule RI, item 2.b; do not deduct from the gross revenue reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"), the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.

1.g **Other interest income.** Report interest and dividend income on assets other than those assets properly reported in Schedule RC, items 1 through 5. Include dividend income on "Equity securities that do not have readily determinable fair values" that are reportable in Schedule RC-F, item 4. Also include interest income on interest-only strips receivable (not in the form of a security) that are reportable in Schedule RC-F, item 3. However, exclude interest and dividends on venture capital investments (loans and securities), which should be reported in item 5.e, below.

1.h **Total interest income.** On the FFIEC 041, report the sum of items 1.a.(6) through 1.g. On the FFIEC 031, report the sum of items 1.a.(3) through 1.g.

Item No. Caption and Instructions**2 Interest expense:**

- 2.a Interest on deposits.** Report in the appropriate subitem all interest expense, including amortization of the cost of merchandise or property offered in lieu of interest payments, on deposits reportable in Schedule RC, item 13.a.(2), "Interest-bearing deposits in domestic offices," and, for banks filing the FFIEC 031 report forms, Schedule RC, item 13.b.(2), "Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs."

Exclude the cost of gifts or premiums (whether in the form of merchandise, credit, or cash) given to depositors at the time of the opening of a new account or an addition to, or renewal of, an existing account (report in Schedule RI, item 7.d, "Other noninterest expense").

Include as interest expense on the appropriate category of deposits finders' fees and brokers' fees that represent an adjustment to the interest rate paid on deposits the reporting bank acquires through brokers. If material, such fees should be capitalized and amortized over the term of the related deposits. However, exclude fees levied by brokers that are, in substance, retainer fees or that otherwise do not represent an adjustment to the interest rate paid on brokered deposits (report in Schedule RI, item 7.d, "Other noninterest expense").

Also include interest expense incurred on deposits that are reported at fair value under a fair value option. Deposits with demand features (e.g., demand and savings deposits in domestic offices) are generally not eligible for the fair value option.

Deduct from the gross interest expense of the appropriate category of time deposits penalties for early withdrawals, or portions of such penalties, that represent the forfeiture of interest accrued or paid to the date of withdrawal. If material, portions of penalties for early withdrawals that exceed the interest accrued or paid to the date of withdrawal should not be treated as a reduction of interest expense but should be included in "Other noninterest income" in Schedule RI, item 5.I.

FFIEC 041 FFIEC 031**Item No. Item No. Caption and Instructions**

- | | | |
|----------------|-------------------|---|
| - | 2.a.(1) | <u>Interest on deposits in domestic offices:</u> |
| 2.a.(1) | 2.a.(1)(a) | <u>Interest on transaction accounts.</u> Report interest expense on all interest-bearing transaction accounts (interest-bearing demand deposits, NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) reportable in Schedule RC-E, (part I,) items 1 through 6, column A, "Total transaction accounts." <u>Exclude</u> all costs incurred by the bank in connection with noninterest-bearing demand deposits. See the Glossary entry for "deposits" for the definitions of "interest-bearing deposit accounts," "demand deposits," "NOW accounts," "ATS accounts," and "telephone or preauthorized transfer accounts." |
| 2.a.(2) | 2.a.(1)(b) | <u>Interest on nontransaction accounts.</u> Report in the appropriate subitem interest expense on all deposits reportable in Schedule RC-E, (part I,) items 1 through 6, column C, "Total nontransaction accounts." |

Item No. Caption and Instructions**1.a**
(cont.)Exclude from cash items in process of collection:

- (1) Cash items for which the reporting bank has already received credit, provided that the funds on deposit are subject to immediate withdrawal. The amount of such cash items is considered part of the reporting bank's balances due from depository institutions.
- (2) Credit or debit card sales slips in process of collection (report as noncash items in Schedule RC-F, item 6, "All other assets"). However, when the reporting bank has been notified that it has been given credit, the amount of such sales slips is considered part of the reporting bank's balances due from depository institutions.
- (3) Cash items not conforming to the definition of in process of collection, whether or not cleared through Federal Reserve Banks (report in Schedule RC-F, item 6, "All other assets").
- (4) Commodity or bill-of-lading drafts (including arrival drafts) not yet payable (because the merchandise against which the draft was drawn has not yet arrived), whether or not deposit credit has been given. (If deposit credit has been given, report as loans in the appropriate item of Schedule RC-C, part I; if the drafts were received on a collection basis, they should be excluded entirely from the bank's balance sheet, Schedule RC, until the funds have actually been collected.)

Unposted debits are cash items in the bank's possession, drawn on itself, that are immediately chargeable, but that have not been charged to the general ledger deposit control account at the close of business on the report date. All banks including an amount for unposted debits in this item should also see Schedule RC-O, item 1.a or 1.b, "Unposted debits."

Currency and coin include both U.S. and foreign currency and coin owned and held in all offices of the reporting bank, currency and coin in transit to a Federal Reserve Bank or to any other depository institution for which the reporting bank has not yet received credit, and currency and coin in transit from a Federal Reserve Bank or from any other depository institution for which the reporting bank's account has already been charged. Foreign currency and coin should be converted into U.S. dollar equivalents as of the report date.

Noninterest-bearing balances due from depository institutions include balances due from commercial banks in the U.S., other depository institutions in the U.S. (e.g., credit unions, mutual and stock savings banks, savings or building and loan associations, and cooperative banks), Federal Home Loan Banks, banks in foreign countries, and foreign central banks. Noninterest-bearing balances include those noninterest-bearing funds on deposit at other depository institutions for which the reporting bank has already received credit and which are subject to immediate withdrawal. Balances for which the bank has not yet received credit and balances representing checks or drafts for which immediate credit has been given but which are not subject to immediate withdrawal are considered "cash items in process of collection."

Item No. Caption and Instructions**1.a**
(cont.)Include as noninterest-bearing balances due from depository institutions:

- (1) Noninterest-bearing balances due from the reporting bank's correspondents, including amounts that its correspondent is to pass through or already has passed through to a Federal Reserve Bank on behalf of the reporting bank (see the Glossary entry for "pass-through reserve balances" for further discussion).
- (2) Noninterest-bearing balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 6, "All other assets.")
- (3) Amounts that the reporting bank has actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions (see the Glossary entry for "pass-through reserve balances" for further discussion).

Exclude from noninterest-bearing balances due from depository institutions:

- (1) Balances due from Federal Reserve Banks (report as interest-bearing balances due from depository institutions in Schedule RC, item 1.b).
- (2) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks").
- (3) All noninterest-bearing balances that the reporting bank's trust department maintains with other depository institutions.

1.b

Interest-bearing balances. Report all interest-bearing balances due from depository institutions whether in the form of demand, savings, or time balances, including certificates of deposit, but excluding certificates of deposit held for trading. Include balances due from Federal Reserve Banks (including required reserve, excess, and clearing balances), commercial banks in the U.S., other depository institutions in the U.S., Federal Home Loan Banks, banks in foreign countries, and foreign central banks. Include the fair value of interest-bearing balances due from depository institutions that are accounted for at fair value under a fair value option.

On the FFIEC 031, the components of this item will also be included in the appropriate items of Schedule RC-A, column A. On the FFIEC 041, for banks with \$300 million or more in total assets, the components of this item will also be included in the appropriate items of Schedule RC-A.

Exclude from interest-bearing balances:

- (1) Loans to depository institutions and acceptances of other banks (report in Schedule RC-C, part I, item 2).
- (2) All interest-bearing balances that the reporting bank's trust department maintains with other depository institutions.
- (3) Certificates of deposit held for trading (report in Schedule RC, item 5).

Item No. **Caption and Instructions**

- 10.b** **Other intangible assets.** Report the total amount of intangible assets other than goodwill from Schedule RC-M, item 2.d. For further information on intangible assets, see the instruction to Schedule RC-M, item 2.
- 11** **Other assets.** Report the amount from Schedule RC-F, item 7, "Total."
- 12** **Total assets.** Report the sum of items 1 through 11. This item must equal Schedule RC, item 29, "Total liabilities and equity capital."

LIABILITIES

Item No. Caption and Instructions

- 13** **Deposits.** (For a discussion of noninterest-bearing and interest-bearing deposits, see the Glossary entry for "deposits.")
- 13.a** **In domestic offices.** Report the total of all deposits in domestic offices of the reporting bank. This item must equal the sum of Schedule RC-E, (part I), item 7, columns A and C.
- This item must also equal the sum of items 13.a.(1) and 13.a.(2) below.
- 13.a.(1)** **Noninterest-bearing.** On the FFIEC, 041, report the total of all noninterest-bearing deposits included in Schedule RC-E, Deposit Liabilities. On the FFIEC 031, report the total of all noninterest-bearing deposits in domestic offices included in Schedule RC-E, part I, Deposits in Domestic Offices. Noninterest-bearing deposits include noninterest-bearing demand, time, and savings deposits.
- 13.a.(2)** **Interest-bearing.** On the FFIEC 041, report the total of all interest-bearing deposits included in Schedule RC-E, Deposit Liabilities. On the FFIEC 031, report the total of all interest-bearing deposits in domestic offices included in Schedule RC-E, part I, Deposits in Domestic Offices. Include interest-bearing demand deposits.
- NOTE: Items 13.b, 13.b.(1), and 13.b.(2) are applicable only to banks filing the FFIEC 031 report form.
- 13.b** **In foreign offices, Edge and Agreement subsidiaries, and IBFs.** Report the total of all deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs. This item must equal the amount reported in Schedule RC-E, part II, item 6, "Total."
- This item must also equal the sum of items 13.b.(1) and 13.b.(2) below.
- 13.b.(1)** **Noninterest-bearing.** Report the total of all noninterest-bearing deposits in foreign offices reported in Schedule RC-E, part II, Deposits in Foreign Offices.
- 13.b.(2)** **Interest-bearing.** Report the total of all interest-bearing deposits in foreign offices reported in Schedule RC-E, part II, Deposits in Foreign Offices.
- 14** **Federal funds purchased and securities sold under agreements to repurchase:**
- 14.a** **Federal funds purchased (in domestic offices).** Report the outstanding amount of federal funds purchased, i.e., immediately available funds borrowed (in domestic offices) under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract, excluding such funds borrowed in the form of securities sold under agreements to repurchase (which should be reported in Schedule RC, item 14.b) and Federal Home Loan Bank advances (which should be reported in Schedule RC, item 16). Transactions that are to be reported as federal funds purchased may be secured or unsecured or may involve an agreement to repurchase loans or other instruments that are not securities.

Item No. Caption and Instructions

- 2** (cont.) (2) Balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 6, "All other assets.")

Exclude from Schedule RC-A, items 2, 2.a, and 2.b:

- (1) Cash items in process of collection (including cash letters and "ledger credit" items) and unposted debits (report in Schedule RC-A, item 1, above).
- (2) All balances that the reporting bank's trust department maintains with other depository institutions.
- (3) Loans to depository institutions (report in Schedule RC-C, part I, item 2).
- (4) Certificates of deposit held for trading (report in Schedule RC, item 5).

- 2.a** **U.S. branches and agencies of foreign banks (including their IBFs).** Report (on the FFIEC 031, in column A) all balances due from U.S. branches and agencies of foreign banks (including their IBFs).

- 2.b** **Other depository institutions in the U.S. (including their IBFs).** Report (on the FFIEC 031, in column A) all balances due from depository institutions in the U.S., other than U.S. branches and agencies of foreign banks.

- 3** **Balances due from banks in foreign countries and foreign central banks.** On the FFIEC 031, report this item as a single total for the domestic offices of the bank in column B, but with a breakdown between balances due from foreign branches of other U.S. banks (Schedule RC-A, item 3.a) and balances due from other banks in foreign countries and foreign central banks (Schedule RC-A, item 3.b) for the fully consolidated bank in column A. On the FFIEC 041, report balances due from foreign branches of other U.S. banks in Schedule RC-A, item 3.a, and balances due from other banks in foreign countries and foreign central banks in Schedule RC-A, item 3.b.

Banks in foreign countries cover:

- (1) foreign-domiciled branches of other U.S. banks; and
- (2) foreign-domiciled branches of foreign banks.

See the Glossary entry for "banks, U.S. and foreign" for a description of banks in foreign countries.

For purposes of this item, foreign central banks cover:

- (1) Central banks in foreign countries;
- (2) Departments of foreign central governments that have, as an important part of their functions, activities similar to those of a central bank;

Item No. Caption and Instructions

3 (3) Nationalized banks and banking institutions owned by central governments that have,
(cont.) as an important part of their functions, activities similar to those of a central bank; and

(4) The Bank for International Settlements (BIS).

Balances due from banks in foreign countries and foreign central banks cover all interest-bearing and noninterest-bearing balances excluding any balances that the reporting bank holds for trading. Balances, as reported in this item, should reflect funds on deposit at other banks in foreign countries and at foreign central banks for which the reporting bank has already received credit. Balances with foreign central banks should include all balances with such entities, including reserve, operating, and investment balances. On the FFIEC 031, balances reported in column A should include "placements and redeposits" between foreign offices of the reporting bank and foreign offices of other banks.

Exclude from Schedule RC-A, items 3, 3.a, and 3.b:

(1) Balances with U.S. branches and agencies of foreign banks (report in Schedule RC-A, item 2 above).

(2) Loans to foreign central banks (report in Schedule RC-C, part I, item 7).

(3) Loans to banks in foreign countries (report in Schedule RC-C, part I, item 2.c).

(4) Cash items in process of collection and unposted debits (report in Schedule RC-A, item 1 above).

(5) Any balances held for trading (report in Schedule RC, item 5).

3.a **Foreign branches of other U.S. banks.** Report (on the FFIEC 031, in column A) all balances due from foreign-domiciled branches of other U.S. banks.

3.b **Other banks in foreign countries and foreign central banks.** Report (on the FFIEC 031, in column A) all balances due from banks in foreign countries, other than foreign-domiciled branches of other U.S. banks, and foreign central banks.

4 **Balances due from Federal Reserve Banks.** Report (on the FFIEC 031, in columns A and B, as appropriate) the total balances due from Federal Reserve Banks as shown by the reporting bank's books. This amount includes required reserve, excess, and clearing balances. Include the amount of reserve balances actually passed through to a Federal Reserve Bank by the reporting bank on behalf of its respondent depository institutions. If the reporting bank is an agent for an excess balance account at a Federal Reserve Bank, the balances in the excess balance account should not be reflected as an asset or a liability on the reporting bank's balance sheet and should not be reported in this item. (See the Glossary entries for "excess balance account" and "pass-through reserve balances.")

On the FFIEC 031, include in column A balances of the bank's Edge and Agreement subsidiaries with a Federal Reserve Bank.

5 **Total.** On the FFIEC 041, report the sum of items 1 through 4. On the FFIEC 031, report the sum of items 1 through 4 in column A for the fully consolidated bank and in column B for its domestic offices. On the FFIEC 041, this item must equal Schedule RC, sum of items 1.a and 1.b. On the FFIEC 031, the total of column A must equal Schedule RC, sum of items 1.a and 1.b.

Item No. Caption and Instructions

4.b Other residential mortgage-backed securities. Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all 1-4 family residential mortgage-backed securities other than pass-through securities that are not held for trading.

Other residential mortgage-backed securities include:

- (1) All classes of collateralized mortgage obligations (CMOs) and real estate mortgage investments conduits (REMICs) backed by loans secured by 1-4 family residential properties.
- (2) CMO and REMIC residuals and similar interests backed by loans secured by 1-4 family residential properties.
- (3) Stripped 1-4 family residential mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments).
- (4) Commercial paper backed by loans secured by 1-4 family residential properties.

4.b.(1) Issued or guaranteed by U.S. Government agencies or sponsored agencies. Report in the appropriate columns the amortized cost and fair value of all classes of CMOs and REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies that are backed by loans secured by 1-4 family residential properties. For purposes of these reports, include REMICs issued by the U.S. Department of Veterans Affairs (VA) that are backed by 1-4 family residential mortgages in this item.

U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).

4.b.(2) Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies. Report in the appropriate columns the amortized cost and fair value of all classes of CMOs, REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral consists of GNMA (Ginnie Mae) residential pass-through securities, FNMA (Fannie Mae) residential pass-through securities, FHLMC (Freddie Mac) residential participation certificates, or other residential mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies.

4.b.(3) All other residential MBS. Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by 1-4 family residential properties (or by securities collateralized by such loans) that have been issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral does not consist of GNMA (Ginnie Mae) residential pass-through securities, FNMA (Fannie Mae) residential pass-through securities, FHLMC (Freddie Mac) residential participation certificates, or other residential mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies.

Item No. Caption and Instructions

- 4.c Commercial MBS.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all holdings of commercial mortgage-backed securities issued by U.S. Government-sponsored agencies or by others that are not held for trading. In general, a commercial mortgage-backed security represents an interest in a pool of loans secured by properties other than 1-4 family residential properties.
- 4.c.(1) Commercial mortgage pass-through securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all holdings of commercial mortgage pass-through securities. In general, a commercial mortgage pass-through security represents an undivided interest in a pool of loans secured by properties other than 1-4 family residential properties that provides the holder with a pro rata share of all principal and interest payments on the mortgages in the pool.
- 4.c.(1)(a) Issued or guaranteed by FNMA, FHLMC, or GNMA.** Report in the appropriate columns the amortized cost and fair value of all holdings of commercial mortgage pass-through securities issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) or guaranteed by the Government National Mortgage Association (GNMA). Also include commercial mortgage pass-through securities guaranteed by the Small Business Administration.
- 4.c.(1)(b) Other pass-through securities.** Report in the appropriate columns the amortized cost and fair value of all holdings of commercial mortgage pass-through securities issued or guaranteed by non-U.S. Government issuers.
- 4.c.(2) Other commercial mortgage-backed securities.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties. Exclude commercial mortgage pass-through securities (report in Schedule RC-B, item 4.c.(1), above).
- 4.c.(2)(a) Issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued by U.S. Government agencies or U.S. Government-sponsored agencies.
- U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).
- 4.c.(2)(b) All other commercial MBS.** Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued or guaranteed by non-U.S. Government issuers.
- 5 Asset-backed securities and structured financial products:**
- 5.a Asset-backed securities.** Report in the appropriate columns the amortized cost and fair value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading. For banks with \$1 billion or more in total assets, this item must equal Schedule RC-B, sum of Memorandum items 5.a through 5.f.

Memoranda**Item No. Caption and Instructions**

1 Pledged securities. Report the amortized cost of all held-to-maturity securities and the fair value of all available-for-sale securities included in Schedule RC-B above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the securities are pledged); as performance bonds under futures or forward contracts; or for any other purpose. Include as pledged securities:

- (1) Held-to-maturity and available-for-sale securities that have been "loaned" in securities borrowing/lending transactions that do not qualify as sales under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended).
- (2) Held-to-maturity and available-for-sale securities held by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs (the amounts of which are also reported in Schedule RC-V, items 1.b and 1.c).
- (3) Held-to-maturity and available-for-sale securities owned by consolidated insurance subsidiaries and held in custodial trusts that are pledged to insurance companies external to the consolidated bank.

2 Maturity and repricing data for debt securities. Report in the appropriate subitem maturity and repricing data for the bank's holdings of debt securities (reported in Schedule RC-B, items 1 through 6 above). Report the amortized cost of held-to-maturity debt securities and the fair value of available-for-sale debt securities in the appropriate maturity and repricing subitems. Exclude from Memorandum item 2 the bank's holdings of equity securities with readily determinable fair values (reported in Schedule RC-B, item 7, above) (e.g., investments in mutual funds, common stock, preferred stock). Also exclude those debt securities that are reported as "nonaccrual" in Schedule RC-N, item 9, column C.

The sum of Memorandum items 2.a.(1) through 2.c.(2) plus the amount of any nonaccrual debt securities included in Schedule RC-N, item 9, column C, must equal Schedule RC-B, sum of items 1 through 6, columns A and D.

On the FFIEC 031, banks that have more than one office in foreign countries (including offices of consolidated foreign subsidiaries but excluding "shell" branches, offices in Puerto Rico or U.S. territories and possessions, and IBFs) have the option of excluding the smallest of such non-U.S. offices from Memorandum item 2. Such banks may omit the smallest of their offices in foreign countries (other than "shell" branches) when arrayed by total assets provided that the assets of the excluded offices do not exceed 50 percent of the total assets of the bank's offices (excluding "shells") in foreign countries and do not exceed 10 percent of the total consolidated assets of the reporting bank as of the report date. (Note: In determining the total assets of offices in foreign countries eligible for exclusion from these memorandum items, banks should exclude not only "shell" branches but also offices in Puerto Rico and U.S. territories and possessions, domestic offices of Edge and Agreement subsidiaries, and IBFs even though these are sometimes referred to as "foreign" offices. Also, the asset totals for all offices in foreign countries should be the component of the total consolidated assets, i.e., should exclude all intrabank transactions.)

For purposes of this memorandum item, the following definitions apply:

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the debt security, and is known to both the borrower and the

Memoranda**Item No. Caption and Instructions**

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(cont.) lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the debt security on a predetermined basis, with the exact rate of interest over the life of the debt security known with certainty to both the borrower and the lender when the debt security is acquired.

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the debt security carries at any subsequent time cannot be known at the time of origination.

When the rate on a debt security with a floating rate has reached a contractual floor or ceiling level, the debt security is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a debt security without regard to the security's repayment schedule, if any.

Next repricing date is the date the interest rate on a floating rate debt security can next change in accordance with the terms of the contract (without regard to the security's repayment schedule, if any, or expected prepayments) or the contractual maturity date of the security, whichever is earlier.

Banks whose records or information systems provide data on the final contractual maturities, next repricing dates, and expected average lives of their debt securities for time periods that closely approximate the maturity and repricing periods specified in Memorandum items 2.a through 2.d (e.g., 89 or 90 days rather than three months, 359 or 360 days rather than 12 months) may use these date to complete Memorandum items 2.a through 2.d.

For debt securities with scheduled contractual payments, banks whose records or information systems provide repricing data that take into account these scheduled contractual payments, with or without the effect of anticipated prepayments, may adjust these data in an appropriate manner to derive reasonable estimates for the final contractual maturities of fixed rate debt securities (and floating rate debt securities for purposes of Memorandum item 2.c) and the next repricing dates of floating rate debt securities.

Callable fixed rate debt securities should be reported in Memorandum items 2.a, 2.b, and 2.d without regard to their next call date unless the security has actually been called. When fixed rate debt securities have been called, they should be reported on the basis of the time remaining until the call date. Callable floating rate debt securities should be reported in Memorandum items 2.a and 2.b on the basis of their next repricing date without regard to their next call date if the security has not been called. Those that have been called should be reported based on the earlier of their next repricing date or their actual call date.

Fixed rate mortgage pass-through securities (such as those guaranteed by the Government National Mortgage Association (GNMA) or issued by the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and certain banks, savings associations, and securities dealers) and fixed rate Small Business Administration (SBA) "Guaranteed Loan Pool Certificates" should be reported on the basis of the time remaining until their final contractual maturity without regard to either expected prepayments or scheduled contractual payments. Floating rate mortgage pass-through securities and SBA "Guaranteed Loan Pool Certificates" should be reported in Memorandum items 2.a and 2.b on the basis of their next repricing date.

General Instructions for Part I (cont.)

When a bank acquires either (1) a portion of an entire loan that does not meet the definition of a participating interest (i.e., a nonqualifying loan participation) or (2) a qualifying participating interest in a transfer that does not meet all of the conditions for sale accounting, it should normally report the loan participation or participating interest in Schedule RC, item 4.b, "Loans and leases, net of unearned income." The bank also should report the loan participation or participating interest in Schedule RC-C, part I, in the loan category appropriate to the underlying loan, e.g., as a "commercial and industrial loan" in item 4 or as a "loan secured by real estate" in item 1. See the Glossary entry for "transfers of financial assets" for further information.

Exclude, for purposes of this schedule, the following:

- (1) Federal funds sold (in domestic offices), i.e., all loans of immediately available funds (in domestic offices) that mature in one business day or roll over under a continuing contract, excluding funds lent in the form of securities purchased under agreements to resell. Report federal funds sold (in domestic offices) in Schedule RC, item 3.a. However, report overnight lending for commercial and industrial purposes as loans in this schedule. On the FFIEC 031, also report lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements as loans in this schedule.
- (2) Lending transactions in the form of securities purchased under agreements to resell (report in Schedule RC, item 3.b, "Securities purchased under agreements to resell").
- (3) All holdings of commercial paper (report in Schedule RC, item 5, if held for trading; report in Schedule RC-B, item 4.b, "Other mortgage-backed securities," item 5, "Asset-backed securities," or item 6, "Other debt securities," as appropriate, if held for purposes other than trading).
- (4) Contracts of sale or other loans indirectly representing other real estate (report in Schedule RC, item 7, "Other real estate owned").
- (5) Undisbursed loan funds, sometimes referred to as incomplete loans or loans in process, unless the borrower is liable for and pays the interest thereon. If interest is being paid by the borrower on the undisbursed proceeds, the amount of such undisbursed funds should be included in both loans and deposits. (Do not include loan commitments that have not yet been taken down, even if fees have been paid; see Schedule RC-L, item 1.)

Item Instructions for Part I**Item No. Caption and Instructions**

- 1 Loans secured by real estate.** Report all loans that meet the definition of a "loan secured by real estate." See the Glossary entry for "loan secured by real estate" for the definition of this term. On the FFIEC 041, all banks should report in the appropriate subitems of column B a breakdown of these loans into seven categories. On the FFIEC 031, all banks should report the total amount of these loans for the fully consolidated bank in column A, but with a breakdown of these loans into seven categories for domestic offices in column B.

Include all loans (other than those to states and political subdivisions in the U.S.), regardless of purpose and regardless of whether originated by the bank or purchased from others, that are secured by real estate at origination as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages) on real estate.

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

1
(cont.)

Include as loans secured by real estate:

- (1) Loans secured by residential properties that are guaranteed by the Farmers Home Administration (FmHA) and extended, collected, and serviced by a party other than the FmHA.
- (2) Loans secured by properties and guaranteed by governmental entities in foreign countries.
- (3) Participations in pools of Federal Housing Administration (FHA) Title I home improvement loans that are secured by liens (generally, junior liens) on residential properties.

Exclude from loans secured by real estate:

- (1) Obligations (other than securities and leases) of states and political subdivisions in the U.S. that are secured by real estate (report in Schedule RC-C, part I, item 8).
- (2) All loans and sales contracts indirectly representing other real estate (report in Schedule RC, item 7, "Other real estate owned").
- (3) Loans to real estate companies, real estate investment trusts, mortgage lenders, and foreign non-governmental entities that specialize in mortgage loan originations and that service mortgages for other lending institutions when the real estate mortgages or similar liens on real estate are not sold to the bank but are merely pledged as collateral (report in Schedule RC-C, part I, item 2, "Loans to depository institutions and acceptances of other banks," or item 9.a, "Loans to nondepository financial institutions," as appropriate).
- (4) Bonds issued by the Federal National Mortgage Association or by the Federal Home Loan Mortgage Corporation that are collateralized by residential mortgages (report in Schedule RC-B, item 2.b, Securities "Issued by U.S. Government-sponsored agencies").
- (5) Pooled residential mortgages for which participation certificates have been issued or guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation (report in Schedule RC-B, item 4.a). However, if the reporting bank is the seller-servicer of the residential mortgages backing such securities and, as a result of a change in circumstances, it must rebook any of these mortgages because one or more of the conditions for sale accounting in ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended by FASB Statement No. 166, "Accounting for Transfers of Financial Assets"), are no longer met, the rebooked mortgages should be included in Schedule RC-C, part I, as loans secured by real estate.

1.a **Construction, land development, and other land loans.** Report in the appropriate subitem of column B loans secured by real estate made to finance (a) land development (i.e., the process of improving land – laying sewers, water pipes, etc.) preparatory to erecting new structures or (b) the on-site construction of industrial, commercial, residential, or farm buildings. For purposes of this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures.

Part I. (cont.)**Item No. Caption and Instructions****1.a**
(cont.)

Also include in this item:

- (1) Loans secured by vacant land, except land known to be used or usable for agricultural purposes, such as crop and livestock production (which should be reported in Schedule RC-C, part I, item 1.b, below, as loans secured by farmland).
- (2) Loans secured by real estate the proceeds of which are to be used to acquire and improve developed and undeveloped property.
- (3) Loans made under Title I or Title X of the National Housing Act that conform to the definition of construction stated above and that are secured by real estate.

Loans written as combination construction-permanent loans secured by real estate should be reported in this item until construction is completed or principal amortization payments begin, whichever comes first. When the first of these events occurs, the loans should begin to be reported in the real estate loan category in Schedule RC-C, part I, item 1, appropriate to the real estate collateral. For purposes of these reports, a combination construction-permanent loan arises when the lender enters into a contractual agreement with the original borrower at the time the construction loan is originated to also provide the original borrower with permanent financing that amortizes principal after construction is completed and a certificate of occupancy is obtained (if applicable). This construction-permanent loan structure is intended to apply to situations where, at the time the construction loan is originated, the original borrower:

- Is expected to be the owner-occupant of the property upon completion of construction and receipt of a certificate of occupancy (if applicable), for example, where the financing is being provided to the original borrower for the construction and permanent financing of the borrower's residence or place of business, or
- Is not expected to be the owner-occupant of the property, but repayment of the permanent loan will be derived from rental income associated with the property being constructed after receipt of a certificate of occupancy (if applicable) rather than from the sale of the property being constructed.

All construction loans secured by real estate, other than combination construction-permanent loans as described above, should continue to be reported in this item after construction is completed unless and until (1) the loan is refinanced into a new permanent loan by the reporting bank or is otherwise repaid, (2) the bank acquires or otherwise obtains physical possession of the underlying collateral in full satisfaction of the debt, or (3) the loan is charged off. For purposes of these reports, a construction loan is deemed to be refinanced into a new permanent loan only if the bank originates:

- An amortizing permanent loan to a new borrower (unrelated to the original borrower) who has purchased the real property, or
- A prudently underwritten new amortizing permanent loan at market terms to the original borrower – including an appropriate interest rate, maturity, and loan-to-value ratio – that is no longer dependent on the sale of the property for repayment. The loan should have a clearly identified ongoing source of repayment sufficient to service the required principal and interest payments over a reasonable and customary period relative to the type of

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

1.a property securing the new loan. A new loan to the original borrower not meeting these
(cont.) criteria (including a new loan on interest-only terms or a new loan with a short-term
 balloon maturity that is inconsistent with the ongoing source of repayment criterion)
 should continue to be reported as a "Construction, land development, and other land
 loan" in the appropriate subitem of Schedule RC-C, part I, item 1.a.

Exclude loans to finance construction and land development that are not secured by real estate (report in other items of Schedule RC-C, part I, as appropriate).

1.a.(1) **1-4 family residential construction loans.** Report in column B the amount outstanding of 1-4 family residential construction loans, i.e., loans for the purpose of constructing 1-4 family residential properties, which will secure the loan. The term "1-4 family residential properties" is defined in Schedule RC-C, part I, item 1.c, below. "1-4 family residential construction loans" include:

- Construction loans to developers secured by tracts of land on which 1-4 family residential properties, including townhouses, are being constructed.
- Construction loans secured by individual parcels of land on which single 1-4 family residential properties are being constructed.
- Construction loans secured by single-family dwelling units in detached or semidetached structures, including manufactured housing.
- Construction loans secured by duplex units and townhouses, excluding garden apartment projects where the total number of units that will secure the permanent mortgage is greater than four.
- Combination land and construction loans on 1-4 family residential properties, regardless of the current stage of construction or development.
- Combination construction-permanent loans on 1-4 family residential properties until construction is completed or principal amortization payments begin, whichever comes first.
- Loans secured by apartment buildings undergoing conversion to condominiums, regardless of the extent of planned construction or renovation, where repayment will come from sales of individual condominium dwelling units, which are 1-4 family residential properties.
- Bridge loans to developers on 1-4 family residential properties where the buyer will not assume the same loan, even if construction is completed or principal amortization payments have begun.

1.a.(2) **Other construction loans and all land development and other land loans.** Report in column B the amount outstanding of all construction loans for purposes other than constructing 1-4 family residential properties, all land development loans, and all other land loans. Include loans for the development of building lots and loans secured by vacant land, unless the same loan finances the construction of 1-4 family residential properties on the property.

1.b **Secured by farmland.** Report in column B loans secured by farmland and improvements thereon, as evidenced by mortgages or other liens. Farmland includes all land known to be used or usable for agricultural purposes, such as crop and livestock production. Farmland includes grazing or pasture land, whether tillable or not and whether wooded or not.

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

1.b Include loans secured by farmland that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by any party other than FmHA or SBA.

(cont.)

Exclude loans for farm property construction and land development purposes (report in Schedule RC-C, part I, item 1.a).

1.c **Secured by 1-4 family residential properties.** Report in the appropriate subitem of column B open-end and closed-end loans secured by real estate as evidenced by mortgages (FHA, FmHA, VA, or conventional) or other liens on:

- (1) Nonfarm property containing 1-to-4 dwelling units (including vacation homes) or more than four dwelling units if each is separated from other units by dividing walls that extend from ground to roof (e.g., row houses, townhouses, or the like).
- (2) Mobile homes where (a) state laws define the purchase or holding of a mobile home as the purchase or holding of real property and where (b) the loan to purchase the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property.
- (3) Individual condominium dwelling units and loans secured by an interest in individual cooperative housing units, even if in a building with five or more dwelling units.
- (4) Housekeeping dwellings with commercial units combined where use is primarily residential and where only 1-to-4 family dwelling units are involved.

Reverse 1-4 family residential mortgages should be reported in the appropriate subitem based on whether they are closed-end or open-end mortgages. A reverse mortgage is an arrangement in which a homeowner borrows against the equity in his/her home and receives cash either in a lump sum or through periodic payments. However, unlike a traditional mortgage loan, no payment is required until the borrower no longer uses the home as his or her principal residence. Cash payments to the borrower after closing, if any, and accrued interest are added to the principal balance. These loans may have caps on their maximum principal balance or they may have clauses that permit the cap on the maximum principal balance to be increased under certain circumstances. Homeowners generally have one of the following options for receiving tax free loan proceeds from a reverse mortgage: (1) one lump sum payment; (2) a line of credit; (3) fixed monthly payments to homeowner either for a specified term or for as long as the homeowner lives in the home; or (4) a combination of the above.

Reverse mortgages that provide for a lump sum payment to the borrower at closing, with no ability for the borrower to receive additional funds under the mortgage at a later date, should be reported as closed-end loans in Schedule RC-C, part I, item 1.c.(2). Normally, closed-end reverse mortgages are first liens and would be reported in Schedule RC-C, part I, item 1.c.(2)(a). Reverse mortgages that are structured like home equity lines of credit in

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

- 1.e.(2) Loans secured by other nonfarm nonresidential properties.** Report in column B the amount of nonfarm nonresidential real estate loans that are not secured by owner-occupied nonfarm nonresidential properties.

“Loans secured by other nonfarm nonresidential properties” are those nonfarm nonresidential property loans where the primary source of repayment is derived from rental income associated with the property (i.e., loans for which 50 percent or more of the source of repayment comes from third party, nonaffiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hotels, motels, dormitories, nursing homes, assisted-living facilities, mini-storage warehouse facilities, and similar properties in this item as loans secured by other nonfarm nonresidential properties.

- 2 Loans to depository institutions and acceptances of other banks.** Report all loans (other than those that meet the definition of a “loan secured by real estate”), including overdrafts, to banks, other depository institutions, and other associations, companies, and financial intermediaries whose primary business is to accept deposits and to extend credit for business or for personal expenditure purposes and the bank’s holdings of all bankers acceptances accepted by other banks that are not held for trading. Acceptances accepted by other banks may be purchased in the open market or discounted by the reporting bank. For further information, see the Glossary entry for “bankers acceptances.”

On the FFIEC 041, all banks should report the total amount of these loans and acceptances in column B, and banks with \$300 million or more in total assets should also report in the appropriate subitems of column A a breakdown of these loans among five categories of depository institutions. On the FFIEC 031, all banks should report a breakdown of loans to depository institutions and acceptances of other banks among five categories of depository institutions for the fully consolidated bank in column A and a breakdown of these loans and acceptances among three categories of depository institutions for domestic offices in column B.

Depository institutions cover:

- (1) commercial banks in the U.S., including:
 - (a) U.S. branches and agencies of foreign banks, U.S. branches and agencies of foreign official banking institutions, and investment companies that are chartered under Article XII of the New York State banking law and are majority-owned by one or more foreign banks; and
 - (b) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks;
- (2) depository institutions in the U.S., other than commercial banks, including:
 - (a) credit unions;
 - (b) mutual or stock savings banks;
 - (c) savings or building and loan associations;
 - (d) cooperative banks; and
 - (e) other similar depository institutions; and

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

2
(cont.)

(3) banks in foreign countries, including:

- (a) foreign-domiciled branches of other U.S. banks; and
- (b) foreign-domiciled branches of foreign banks.

See the Glossary entry for "banks, U.S. and foreign" and "depository institutions in the U.S." for further discussion of these terms.

Include as loans to depository institutions and acceptances of other banks:

- (1) Loans to depository institutions for the purpose of purchasing or carrying securities.
- (2) Loans to depository institutions for which the collateral is a mortgage instrument and not the underlying real property. Report loans to depository institutions where the collateral is the real estate itself, as evidenced by mortgages or similar liens, in Schedule RC-C, part I, item 1.
- (3) Purchases of mortgages and other loans under agreements to resell that do not involve the lending of immediately available funds or that mature in more than one business day, if acquired from depository institutions.
- (4) The reporting bank's own acceptances discounted and held in its portfolio when the account party is another depository institution.

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

6.a
(cont.) If the reporting bank has securitized credit cards and has retained a seller's interest that is not in the form of a security, the carrying value of the seller's interest should be reported as credit card loans in this item. For purposes of these reports, the term "seller's interest" means the reporting bank's ownership interest in loans that have been securitized, except an interest that is a form of recourse or other seller-provided credit enhancement. Seller's interests differ from the securities issued to investors by the securitization structure. The principal amount of a seller's interest is generally equal to the total principal amount of the pool of assets included in the securitization structure less the principal amount of those assets attributable to investors, i.e., in the form of securities issued to investors.

Do not net credit balances resulting from overpayments of account balances on credit card accounts against the debit balances of other credit card accounts. Report credit balances (in domestic offices) in Schedule RC-E, (part I,) item 1, column A, and item 7, column B. On the FFIEC 031, report credit balances in foreign offices in Schedule RC-E, part II, item 1.

Exclude from credit cards:

- (1) Credit extended under credit card plans to business enterprises (report in Schedule RC-C, part I, item 4, "Commercial and industrial loans").
- (2) All credit extended to individuals through credit cards that meets the definition of a "loan secured by real estate" (report in Schedule RC-C, part I, item 1).
- (3) All credit extended to individuals for household, family, and other personal expenditures under prearranged overdraft plans (report in Schedule RC-C, part I, item 6.b).

If the bank acts only as agent or correspondent for other banks or nonbank corporations and carries no credit card plan assets on its books, enter a "zero" or the word "none." Banks that do not participate in any credit card plan should also enter a zero or the word "none."

6.b **Other revolving credit plans.** Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) all extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards. Report the total amount outstanding of all funds advanced under these revolving credit plans regardless of whether there is a period before interest charges are made.

Do not net credit balances resulting from overpayments of account balances on other revolving credit plan accounts against the debit balances of other revolving credit plan accounts. Report credit balances (in domestic offices) in Schedule RC-E, (part I,) item 1, column A, and item 7, column B. On the FFIEC 031, report credit balances in foreign offices in Schedule RC-E, part II, item 1.

Exclude from other revolving credit plans:

- (1) All ordinary (unplanned) overdrafts on transaction accounts not associated with revolving credit plans (report in other items of Schedule RC-C, part I, as appropriate).
- (2) Credit extended to individuals for household, family, and other personal expenditures arising from credit cards (report in Schedule RC-C, part I, item 6.a).

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

6.c Automobile loans. Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) all consumer loans extended for the purpose of purchasing new and used passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use. Include both direct and indirect consumer automobile loans as well as retail installment sales paper purchased by the bank from automobile dealers.

Exclude from automobile loans:

- (1) Loans that meet the definition of a "loan secured by real estate," even if extended for the purpose of purchasing an automobile (report in Schedule RC-C, part I, item 1).
- (2) Consumer loans for purchases of, or otherwise secured by, motorcycles, recreational vehicles, golf carts, boats, and airplanes (report in Schedule RC-C, part I, item 6.d).
- (3) Personal cash loans secured by automobiles already paid for (report in Schedule RC-C, part I, item 6.d).
- (4) Vehicle flooring or floor-plan loans (report in Schedule RC-C, part I, item 4).
- (5) Loans to finance purchases of passenger cars and other vehicles for commercial, industrial, state or local government, or other nonpersonal nonagricultural use (report in Schedule RC-C, part I, item 4, item 8, or item 9, as appropriate).
- (6) Loans to finance vehicle fleet sales (report in Schedule RC-C, part I, item 4).
- (7) Loans to farmers for purchases of passenger cars and other vehicles used in association with the maintenance or operations of the farm, and loans for purchases of farm equipment (report in Schedule RC-C, part I, item 3).
- (8) Consumer automobile lease financing receivables (report in Schedule RC-C, part I, item 10.a).

All loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) originated or purchased before April 1, 2011, that are collateralized by automobiles, regardless of the purpose of the loan, may be classified as automobile loans for purposes of this schedule and other schedules in which information on automobile loans is to be reported. For consumer loans originated or purchased on or after April 1, 2011, banks should exclude from automobile loans any personal cash loans secured by automobiles already paid for and consumer loans where the purchase of an automobile is not the primary purpose of the loan (report in Schedule RC-C, part I, item 6.d).

6.d Other consumer loans. Report (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) all other loans to individuals for household, family, and other personal expenditures (other than those that meet the definition of a "loan secured by real estate" and other than those for purchasing or carrying securities). Include loans for such purposes as:

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

- 6.d**
(cont.)
- (1) purchases of household appliances, furniture, trailers, and boats;
 - (2) repairs or improvements to the borrower's residence (that do not meet the definition of a "loan secured by real estate");
 - (3) educational expenses, including student loans;
 - (4) medical expenses;
 - (5) personal taxes;
 - (6) vacations;
 - (7) consolidation of personal (nonbusiness) debts;
 - (8) purchases of real estate or mobile homes to be used as a residence by the borrower's family (that do not meet the definition of a "loan secured by real estate"); and
 - (9) other personal expenditures.

Other consumer loans may take the form of:

- (1) Installment loans, demand loans, single payment time loans, and hire purchase contracts (for purposes other than retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use), and should be reported as loans to individuals for household, family, and other personal expenditures regardless of size or maturity and regardless of whether the loans are made by the consumer loan department or by any other department of the bank.
- (2) Retail installment sales paper purchased by the bank from merchants or dealers (other than dealers of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks), finance companies, and others.

Exclude from other consumer loans:

- (1) All direct and purchased loans, regardless of purpose, that meet the definition of a loan secured by real estate" as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages), on real estate (report in Schedule RC-C, part I, item 1).
- (2) Loans to individuals that do not meet the definition of a "loan secured by real estate" for the purpose of investing in real estate when the real estate is not to be used as a residence or vacation home by the borrower or by members of the borrower's family (report as all other loans in Schedule RC-C, part I, item 9.b).
- (3) Loans to individuals for commercial, industrial, and professional purposes and for "floor plan" or other wholesale financing (report in Schedule RC-C, part I, item 4).
- (4) Loans to individuals for the purpose of purchasing or carrying securities (report in Schedule RC-C, part I, item 9.b).
- (5) Loans to individuals for investment (as distinct from commercial, industrial, or professional) purposes other than those for purchasing or carrying securities (report as all other loans in Schedule RC-C, part I, item 9.b).

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

- 13 Construction, land development, and other land loans (in domestic offices) with interest reserves.** Memorandum items 13.a and 13.b are to be completed by banks that had construction, land development, and other land loans (in domestic offices) (as reported in Schedule RC-C, part I, item 1.a, column B) that exceeded 100 percent of total risk-based capital (as reported in Schedule RC-R, item 21) as of the previous December 31. For purposes of Memorandum items 13, 13.a, and 13.b, construction, land development, and other land loans (in domestic offices) are hereafter referred to as “construction loans.”

When a bank enters into a loan agreement with a borrower on a construction loan, an interest reserve is often included in the amount of the loan commitment to the borrower and it allows the lender to periodically advance loan funds to pay interest charges on the outstanding balance of the loan. The interest is capitalized and added to the loan balance.

- 13.a Amount of loans that provide for the use of interest reserves.** Report the amount of construction loans included in Schedule RC-C, part I, item 1.a, column B, for which the loan agreement with the borrower provides for the use of interest reserves.

If a construction loan included in Schedule RC-C, part I, item 1.a, column B, has been fully advanced or the funds budgeted for interest have been fully advanced, but the loan agreement provided for the use of interest reserves, continue to report the loan in this item even if the borrower is now paying interest from other sources of funds. Similarly, if a construction loan included in Schedule RC-C, part I, item 1.a, column B, has been renewed or extended, but the original loan agreement provided for the use of interest reserves, continue to report the loan in this item.

Include in this item new construction loans (as defined for and reported in Schedule RC-C, part I, item 1.a, column B) that have been granted for the purpose of paying interest on existing construction loans (in domestic offices) when the new construction loan is secured by the same real estate that secures the existing construction loan.

Exclude construction loans for which the loan agreement with the borrower does not provide for the use of interest reserves.

- 13.b Amount of interest capitalized from interest reserves on construction, land development, and other land loans that is included in interest and fee income on loans during the quarter.** Report the amount of interest advanced to borrowers on construction loans (as defined for Schedule RC-C, part I, item 1.a, column B) that has been capitalized into the borrowers' loan balances through the use of interest reserves (including interest advanced on new construction loans granted for the purpose of paying interest on existing construction loans when the loans are secured by the same real estate) and included in interest and fee income during the quarter on “All other loans secured by real estate” (Schedule RI, item 1.a.(1)(b), on the FFIEC 041; Schedule RI, item 1.a.(1)(a)(2) on the FFIEC 031). The amount of capitalized interest included in interest income during the quarter should be reduced by amounts reversed against interest during the quarter.

- 14 Pledged loans and leases.** Report the amount of all loans and leases included in Schedule RC-C, part I, above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the loans and leases are pledged) or for any other purpose. Include loans and leases

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

14
(cont.) that have been transferred in transactions that are accounted for as secured borrowings with a pledge of collateral because they do not qualify as sales under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended). Also include loans and leases held for sale or investment by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs (the amounts of which are also reported in Schedule RC-V, items 1.e and 1.f). In general, the pledging of loans and leases is the act of setting aside certain loans and leases to secure or collateralize bank transactions with the bank continuing to own the loans and leases unless the bank defaults on the transaction.

When a bank is subject to a blanket lien arrangement or has otherwise pledged an entire portfolio of loans to secure its Federal Home Loan Bank advances, it should report the amount of the entire portfolio of loans subject to the blanket lien in this item. Any loans within the portfolio that have been explicitly excluded or specifically released from the lien and that the bank has the right, without constraint, to repledge to another party should not be reported as pledged in this item. However, if any such loans have been repledged to another party, they should be reported in this item.

NOTE: Memorandum item 15 is to be completed for the December report only.

15 **Reverse mortgages (in domestic offices).** A reverse mortgage is an arrangement in which a homeowner borrows against the equity in his or her home and receives cash either in a lump sum or through periodic payments. However, unlike a traditional mortgage loan, no payment is required until the borrower no longer uses the home as his or her principal residence. Cash payments to the borrower after closing, if any, and accrued interest are added to the principal balance. These loans may have caps on their maximum principal balance or they may have clauses that permit the cap on the maximum principal balance to be increased under certain circumstances. The reverse mortgage market currently consists of two basic types of products: proprietary products designed and originated by financial institutions and a federally-insured product known as a Home Equity Conversion Mortgage (HECM).

Report in the appropriate subitem the specified information about the bank's involvement with reverse mortgages (in domestic offices).

15.a **Reverse mortgages outstanding that are held for investment.** Report in the appropriate subitem the amount of HECM and proprietary reverse mortgages held for investment that are included in Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties." A loan is held for investment if the bank has the intent and ability to hold the loan for the foreseeable future or until maturity or payoff. Exclude reverse mortgages that are held for sale.

15.a.(1) **Home Equity Conversion Mortgage (HECM) reverse mortgages.** Report the amount of HECM reverse mortgages held for investment that are included in Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties."

15.a.(2) **Proprietary reverse mortgages.** Report the amount of proprietary reverse mortgages held for investment that are included in Schedule RC-C, part I, item 1.c, Loans "Secured by 1-4 family residential properties."

SCHEDULE RC-D – TRADING ASSETS AND LIABILITIES

General Instructions

Schedule RC-D is to be completed by banks that reported a quarterly average for trading assets of \$2 million or more in Schedule RC-K, item 7, for any of the four preceding quarterly reports. However, because banks with domestic offices only and with less than \$100 million in total assets do not report a quarterly average for trading assets in Schedule RC-K, item 7, on the FFIEC 041, Schedule RC-D is not applicable to such banks. Memorandum items 5 through 10 are to be completed by banks that reported a quarterly average for trading assets of \$1 billion or more in Schedule RC-K, item 7, for any of the four preceding quarterly reports.

Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as an accommodation to customers or for other trading purposes.

Pursuant to ASC Subtopic 825-10, Financial Instruments – Overall (formerly FASB Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”), all securities within the scope of ASC Topic 320, Investments – Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”), that a bank has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities. In addition, for purposes of these reports, banks may classify assets (other than securities within the scope of ASC Topic 320) and liabilities as trading if the bank applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets and liabilities as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a bank would generally not classify a loan to which it has applied the fair value option as a trading asset unless the bank holds the loan, which it manages as a trading position, for one of the following purposes: (a) for market making activities, including such activities as accumulating loans for sale or securitization; (b) to benefit from actual or expected price movements; or (c) to lock in arbitrage profits. When reporting loans classified as trading in Schedule RC-D, banks should include only the fair value of the funded portion of the loan in item 6 of this schedule. If the unfunded portion of the loan, if any, is classified as trading (and does not meet the definition of a derivative), the fair value of the commitment to lend should be reported as an “Other trading asset” or an “Other trading liability,” as appropriate, in Schedule RC-D, item 9 or item 13.b, respectively.

Assets, liabilities, and other financial instruments classified as trading shall be consistently valued at fair value.

Exclude from this schedule all available-for-sale securities and all loans and leases that do not satisfy the criteria for classification as trading as described above. (Also see the Glossary entry for “trading account.”) Available-for-sale securities are generally reported in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. However, a bank may have certain assets that fall within the definition of “securities” in ASC Topic 320 (e.g., nonrated industrial development obligations) that the bank has designated as “available-for-sale” which are reported for purposes of the Report of Condition in a balance sheet category other than “Securities” (e.g., “Loans and lease financing receivables”). Loans and leases that do not satisfy the criteria for the trading account should be reported in Schedule RC, item 4.a or item 4.b, and in Schedule RC-C.

On the FFIEC 031, this schedule has two columns: column A provides trading asset and liability detail for the fully consolidated bank and column B provides detail on trading assets and liabilities held by the domestic offices of the reporting bank. (See the Glossary entry for “domestic office” for the definition of this term.)

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

- 1 U.S. Treasury securities.** Report the total fair value of securities issued by the U.S. Treasury (as defined for Schedule RC-B, item 1, "U.S. Treasury securities") held for trading.
- 2 U.S. Government agency obligations.** Report the total fair value of all obligations of U.S. Government agencies (as defined for Schedule RC-B, item 2, "U.S. Government agency obligations") held for trading. Exclude mortgage-backed securities.
- 3 Securities issued by states and political subdivisions in the U.S.** Report the total fair value of all securities issued by states and political subdivisions in the United States (as defined for Schedule RC-B, item 3, "Securities issued by states and political subdivisions in the U.S.") held for trading.
- 4 Mortgage-backed securities.** Report in the appropriate subitem the total fair value of all mortgage-backed securities held for trading.
- 4.a Residential mortgage pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA.** Report the total fair value of all residential mortgage pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA (as defined for Schedule RC-B, item 4.a.(1), Residential mortgage pass-through securities "Guaranteed by GNMA," and item 4.a.(2), Residential pass-through securities "Issued by FNMA and FHLMC") held for trading.
- 4.b Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report the total fair value of all other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies (as defined for Schedule RC-B, item 4.b.(1), Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies") held for trading.
- U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).
- 4.c All other residential MBS.** Report the total fair value of all other residential mortgage-backed securities (as defined for Schedule RC-B, item 4.a.(3), "Other [residential mortgage] pass-through securities," item 4.b.(2), Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," and item 4.b.(3), "All other residential MBS") held for trading.
- 4.d Commercial MBS issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report the total fair value of all commercial mortgage-backed securities (as defined for Schedule RC-B, item 4.c, "Commercial MBS") issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies that are held for trading. Also include commercial mortgage pass-through securities guaranteed by the Small Business Administration.

Memoranda**Item No. Caption and Instructions**

- 1.c Loans to individuals for household, family, and other personal expenditures.** Report in the appropriate subitem the total unpaid principal balance outstanding for all loans to individuals for household, family, and other personal expenditures held for trading reported in Schedule RC-D, item 6.c.
- 1.c.(1) Credit cards.** Report the total unpaid principal balance outstanding for all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards held for trading reported in Schedule RC-D, item 6.c.(1).
- 1.c.(2) Other revolving credit plans.** Report the total unpaid principal balance outstanding for all extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards held for trading reported in Schedule RC-D, item 6.c.(2).
- 1.c.(3) Automobile loans.** Report the total unpaid principal balance outstanding for all loans arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use held for trading reported in Schedule RC-D, item 6.c.(3).
- 1.c.(4) Other consumer loans.** Report the total unpaid principal balance outstanding for all other loans to individuals for household, family, and other personal expenditures held for trading reported in Schedule RC-D, item 6.c.(4).
- 1.d Other loans.** Report the total unpaid principal balance outstanding for all loans held for trading reported in Schedule RC-D, item 6.d. Such loans include “Loans to depository institutions and acceptances of other banks,” “Loans to finance agricultural production and other loans to farmers,” “Loans to foreign governments and official institutions,” “Obligations (other than securities and leases) of states and political subdivisions in the U.S.,” and “Other loans” (as defined for Schedule RC-C, part I, items 2, 3, 7, 8, and 9).
- 2 Loans measured at fair value that are past due 90 days or more.** Report in the appropriate subitem the total fair value and unpaid principal balance of all loans held for trading included in Schedule RC-D, items 6.a through 6.d, that are past due 90 days or more as of the report date.
- 2.a Fair value.** Report the total fair value of all loans held for trading included in Schedule RC-D, items 6.a through 6.d, that are past due 90 days or more as of the report date.
- 2.b Unpaid principal balance.** Report in the appropriate column the total unpaid principal balance of all loans held for trading included in Schedule RC-D, items 6.a through 6.d, that are past due 90 days or more as of the report date.
- 3 Structured financial products by underlying collateral or reference assets.** Report in the appropriate subitem the total fair value of all structured financial products held for trading by the predominant type of collateral or reference assets supporting the product. The sum of Memorandum items 3.a through 3.g must equal the sum of Schedule RC-D, items 5.a.(1) through 5.a.(3).
- 3.a Trust preferred securities issued by financial institutions.** Report the total fair value of structured financial products held for trading that are supported predominantly by trust preferred securities issued by financial institutions.

Memoranda**Item No. Caption and Instructions**

- 3.b Trust preferred securities issued by real estate investment trusts.** Report the total fair value of structured financial products held for trading that are supported predominantly by trust preferred securities issued by real estate investment trusts.
- 3.c Corporate and similar loans.** Report the total fair value of structured financial products held for trading that are supported predominantly by corporate and similar loans.
- Exclude securities backed by loans that are commonly regarded as asset-backed securities rather than collateralized loan obligations in the marketplace (report in Schedule RC-D, item 5.b).
- 3.d 1-4 family residential MBS issued or guaranteed by U.S. government-sponsored enterprises (GSEs).** Report the total fair value of structured financial products held for trading that are supported predominantly by 1-4 family residential mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises.
- 3.e 1-4 family residential MBS not issued or guaranteed by GSEs.** Report the total fair value of structured financial products held for trading that are supported predominantly by 1-4 family residential mortgage-backed securities not issued or guaranteed by U.S. government-sponsored enterprises.
- 3.f Diversified (mixed) pools of structured financial products.** Report the total fair value of structured financial products held for trading that are supported predominantly by diversified (mixed) pools of structured financial products. Include such products as CDOs squared and cubed (also known as “pools of pools”).
- 3.g Other collateral or reference assets.** Report the total fair value of structured financial products held for trading that are supported predominantly by other types of collateral or reference assets not identified above.
- 4 Pledged trading assets:**
- 4.a Pledged securities.** Report the total fair value of all securities held for trading included in Schedule RC-D above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the securities are pledged); as performance bonds under futures or forward contracts; or for any other purpose. Include as pledged securities:
- (1) Securities held for trading that have been “loaned” in securities borrowing/lending transactions that do not qualify as sales under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” as amended).
 - (2) Securities held for trading by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs (the amount of which is also reported in Schedule RC-V, item 1.h).
 - (3) Securities held for trading owned by consolidated insurance subsidiaries and held in custodial trusts that are pledged to insurance companies external to the consolidated bank.

Memoranda**Item No. Caption and Instructions**

4.b Pledged loans. Report the total fair value of all loans held for trading included in Schedule RC-D above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the loans are pledged) or for any other purpose. Include loans held for trading that have been transferred in transactions that are accounted for as secured borrowings with a pledge of collateral because they do not qualify as sales under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” as amended). Also include loans held for trading by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs (the amount of which is also reported in Schedule RC-V, item 1.h). In general, the pledging of loans is the act of setting aside certain loans to secure or collateralize bank transactions with the bank continuing to own the loans unless the bank defaults on the transaction.

NOTE: Memorandum items 5 through 10 are applicable only to banks that reported a quarterly average for trading assets of \$1 billion or more in Schedule RC-K, item 7, for any of the four preceding quarterly reports.

- 5 Asset-backed securities.** Report in the appropriate subitem the total fair value of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, held for trading that are included in Schedule RC-D, item 5.b, above.
- 5.a Credit card receivables.** Report the total fair value of all asset-backed securities collateralized by credit card receivables, i.e., extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards as defined for Schedule RC-C, part I, item 6.a.
- 5.b Home equity lines.** Report the total fair value of all asset-backed securities collateralized by home equity lines of credit, i.e., revolving, open-end lines of credit secured by 1-to-4 family residential properties as defined for Schedule RC-C, part I, item 1.c.(1).
- 5.c Automobile loans.** Report the total fair value of all asset-backed securities collateralized by automobile loans, i.e., loans to individuals for the purpose of purchasing private passenger vehicles, including minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use as defined for Schedule RC-C, part I, item 6.c.
- 5.d Other consumer loans.** Report the total fair value of all asset-backed securities collateralized by other consumer loans, i.e., loans to individuals for household, family, and other personal expenditures as defined for Schedule RC-C, part I, items 6.b and 6.d.
- 5.e Commercial and industrial loans.** Report the total fair value of all asset-backed securities collateralized by commercial and industrial loans, i.e., loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment, as defined for Schedule RC-C, part I, item 4.
- 5.f Other.** Report the total fair value of all asset-backed securities collateralized by loans other than those included in Schedule RC-D, Memorandum items 4.a through 4.g, above, i.e., loans as defined for Schedule RC-C, part I, items 2, 3, and 7 through 9 and lease financing receivables as defined for Schedule RC-C, part I, item 10.

Memoranda**Item No. Caption and Instructions**

- 6** **Retained beneficial interests in securitizations (first-loss or equity tranches).** Report the total fair value of assets held for trading that represent interests that continue to be held by the bank following a securitization (as defined by ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” as amended)) to the extent that such interests will absorb losses resulting from the underlying assets before those losses affect outside investors. Examples of such items include credit-enhancing interest-only strips (as defined in the instructions for Schedule RC-R, item 10) and residual interests in securitization trusts (as defined in the instructions for Schedule RC-R, item 50).
- 7** **Equity securities.** Report in the appropriate subitem the total fair value of all equity securities held for trading that are included in Schedule RC-D, item 9, above. Include equity securities classified as trading with readily determinable fair values as defined by ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”), and those equity securities that are outside the scope of ASC Topic 320.
- 7.a** **Readily determinable fair values.** Report the total fair value of all equity securities held for trading that are within the scope of ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”).
- 7.b** **Other.** Report the total fair value of all equity securities held for trading other than those included in Schedule RC-D, Memorandum item 7.a, above.
- 8** **Loans pending securitization.** Report the total fair value of all loans included in Schedule RC-D, items 6.a through 6.d, that are held for securitization purposes. Report such loans in this item only if the bank expects the securitization transaction to be accounted for as a sale under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” as amended).
- 9** **Other trading assets.** Disclose in Memorandum items 9.a through 9.c each component of Schedule RC-D, item 9, “Other trading assets,” and the fair value of such component, that is greater than \$25,000 and exceeds 25 percent of the amount reported for this item. Exclude equity securities reported in Schedule RC-D, Memorandum items 7.a and 7.b. For each component of other trading assets that exceeds the disclosure threshold for this Memorandum item, describe the component with a clear but concise caption in Memorandum items 9.a through 9.c. These descriptions should not exceed 50 characters in length (including spacing between words).
- 10** **Other trading liabilities.** Disclose in Memorandum items 10.a through 10.c each component of Schedule RC-D, item 13.b, “Other trading liabilities,” and the fair value of such component, that is greater than \$25,000 and exceeds 25 percent of the amount reported for this item. For each component of other trading liabilities that exceeds this disclosure threshold, describe the component with a clear but concise caption in Memorandum items 10.a through 10.c. These descriptions should not exceed 50 characters in length (including spacing between words).

SCHEDULE RC-E -- DEPOSIT LIABILITIES

General Instructions

A complete discussion of deposits is included in the Glossary entry entitled "deposits." That discussion addresses the following topics and types of deposits in detail:

- (1) Federal Deposit Insurance Act definition of deposits;
- (2) transaction accounts;
- (3) demand deposits;
- (4) NOW accounts;
- (5) ATS accounts;
- (6) telephone or preauthorized transfer accounts;
- (7) nontransaction accounts;
- (8) savings deposits;
- (9) money market deposit accounts;
- (10) other savings deposits;
- (11) time deposits;
- (12) time certificates of deposit;
- (13) time deposits, open account;
- (14) interest-bearing deposit accounts; and
- (15) noninterest-bearing deposit accounts.

Additional discussions pertaining to deposits will also be found under separate Glossary entries for:

- (1) borrowings and deposits in foreign offices;
- (2) brokered deposits;
- (3) cash management arrangements;
- (4) dealer reserve accounts;
- (5) hypothecated deposits;
- (6) letter of credit (for letters of credit sold for cash and travelers letters of credit);
- (7) overdraft;
- (8) pass-through reserve balances;
- (9) placements and takings; and
- (10) reciprocal balances.

On the FFIEC 031 only, Schedule RC-E consists of two parts. Part I covers the deposit liabilities of the domestic offices of the consolidated bank. Part II covers the deposit liabilities of the foreign offices (including Edge and Agreement subsidiaries and IBFs) of the consolidated bank. (See the Glossary entries for "domestic office" and "foreign office" for the definitions of these terms.)

NOTE: For information about the reporting of deposits for deposit insurance and FICO assessment purposes, refer to Schedule RC-O.

NOTE: For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through agent for federal required reserves, see the Glossary entry for "pass-through reserve balances."

NOTE: For banks that elect to report deposits at fair value under a fair value option, report the fair value of those deposits in the same items and columns as similar deposits to which a fair value option has not been applied. Currently, deposits that include a demand feature (e.g., demand and savings deposits in domestic offices) are not eligible to be reported under a fair value election.

(Part I. Deposits in Domestic Offices)**Definitions**

The term "deposits" is defined in the Glossary and generally follows the definitions of deposits used in the Federal Deposit Insurance Act and in Federal Reserve Regulation D.

Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist.

The following are not reported as deposits in Schedule RC-E:

- (1) Deposits received in one office of the bank for deposit in another office of the bank.
- (2) Outstanding drafts (including advices or authorizations to charge the bank's balance in another depository institution) drawn in the regular course of business by the reporting bank on other depository institutions.
- (3) Trust funds held in the bank's own trust department that the bank keeps segregated and apart from its general assets and does not use in the conduct of its business. NOTE: Such uninvested trust funds must be reported as deposit liabilities in Schedule RC-O, item 1.
- (4) Deposits accumulated for the payment of personal loans (i.e., hypothecated deposits), which should be netted against loans in Schedule RC-C, Loans and Lease Financing Receivables.
- (5) All obligations arising from assets sold under agreements to repurchase.
- (6) Overdrafts in deposit accounts. Overdrafts are to be reported as loans in Schedule RC-C and not as negative deposits. Overdrafts in one or more transaction accounts within a group of related transaction accounts of a single type (i.e., demand deposit accounts or NOW accounts, but not a combination thereof) maintained in the same right and capacity by a customer (a single legal entity) that are established under a bona fide cash management arrangement by this customer are not to be classified as loans unless there is a net overdraft position in the group of related transaction accounts taken as a whole. For reporting and deposit insurance assessment purposes, such accounts function as, and are regarded as, one account rather than multiple separate accounts. (NOTE: Affiliates and subsidiaries are considered separate legal entities.) See the Glossary entry for "cash management arrangements" for information on bona fide cash management arrangements.
- (7) Time deposits sold (issued) by the reporting bank that it has subsequently purchased in the secondary market (typically as a result of the bank's trading activities) and has not resold as of the report date. For purposes of these reports, a bank that purchases a time deposit it has issued is regarded as having paid the time deposit prior to maturity. The effect of the transaction is that the bank has cancelled a liability as opposed to having acquired an asset for its portfolio.

The following are reported as deposits:

- (1) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department of the reporting bank other than the trust department.
- (2) Credit items that could not be posted to the individual deposit accounts but that have been credited to the control accounts of the various deposit categories on the general ledger.

Column Instructions

Deposits as summarized above are divided into two general categories, "Transaction Accounts" (columns A and B) and "Nontransaction Accounts (including MMDAs)" (column C).

Column A - Total transaction accounts. Report in column A the total of all transaction accounts as summarized above and fully defined in the Glossary entry for "deposits." With the exceptions noted in the item instructions and the Glossary entry, the term "transaction account" is defined as a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making third party payments or transfers to third persons or others, or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Column B - Memo: Total demand Deposit. Report in item 7, column B, the total of all demand deposits, both interest-bearing and noninterest-bearing. Also include any matured time or savings deposits without automatic renewal provisions, unless the deposit agreement specifically provides for the funds to be transferred at maturity to another type of account (i.e., other than a demand deposit). (See the Glossary entry for "deposits.")

NOTE: Demand deposits are, of course, one type of transaction account. Therefore, the amount reported in item 7, column B, should be included by category of depositor in the breakdown of transaction accounts by category of depositor that is reported in column A.

Column C - Total nontransaction accounts (including MMDAs). Report in column C all deposits other than transaction accounts as summarized above and defined in the Glossary entry for "deposits." Include in column C all interest-bearing and noninterest-bearing savings deposits and time deposits together with all interest paid by crediting savings and time deposit accounts.

Item Instructions

In items 1 through 6 of Schedule RC-E, banks report separate breakdowns of their transaction and nontransaction accounts by category of depositor. When reporting brokered deposits in these items, the funds should be categorized as deposits of "Individuals, partnerships, and corporations," "States and political subdivisions in the U.S.," or "Commercial banks and other depository institutions in the U.S." based on the beneficial owners of the funds that the broker has placed in the bank. However, if this information is not readily available to the issuing bank for certain brokered deposits because current deposit insurance rules do not require the deposit broker to provide information routinely on the beneficial owners of the deposits and their account ownership capacity to the bank issuing the deposits, these brokered deposits may be rebuttably presumed to be deposits of "Individuals, partnerships, and corporations" and reported in Schedule RC-E, item 1, below. For further information, see the Glossary entry for "brokered deposits."

Item No. Caption and Instructions

- | | |
|----------|---|
| 1 | <u>Deposits of individuals, partnerships, and corporations (include all certified and official checks).</u> Report in the appropriate column all deposits of individuals, partnerships, and corporations, wherever located, and all certified and official checks. |
|----------|---|

Item No. Caption and Instructions**1**
(cont.)Include in this item:

- (1) Deposits related to the personal, household, or family activities of both farm and nonfarm individuals and to the business activities of sole proprietorships.
- (2) Deposits of corporations and organizations (other than depository institutions), regardless of whether they are operated for profit, including but not limited to:
 - (a) mutual funds and other nondepository financial institutions;
 - (b) foreign government-owned nonbank commercial and industrial enterprises; and
 - (c) quasi-governmental organizations such as post exchanges on military posts and deposits of a company, battery, or similar organization (unless the reporting bank has been designated by the U.S. Treasury as a depository for such funds and appropriate security for the deposits has been pledged, in which case, report in Schedule RC-E, item 2).
- (3) Dealer reserve accounts (see the Glossary entry for "dealer reserve accounts" for the definition of this term).
- (4) Deposits of U.S. Government agencies and instrumentalities such as the:
 - (a) Banks for Cooperatives,
 - (b) Export-Import Bank of the U.S.,
 - (c) Federal Deposit Insurance Corporation,
 - (d) Federal Financing Bank,
 - (e) Federal Home Loan Banks,
 - (f) Federal Home Loan Mortgage Corporation,
 - (g) Federal Intermediate Credit Banks,
 - (h) Federal Land Banks,
 - (i) Federal National Mortgage Association,
 - (j) National Credit Union Administration Central Liquidity Facility, and
 - (k) National Credit Union Share Insurance Fund.
- (5) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department (except the trust department) of the reporting bank if the beneficiary is an individual, partnership, or corporation.
- (6) Credit balances on credit cards and other revolving credit plans as a result of customer overpayments.
- (7) Deposits of a federal or state court held for the benefit of individuals, partnerships, or corporations, such as bankruptcy funds and escrow funds.

Item No. **Caption and Instructions**

- 1**
(cont.)
- (f) Outstanding travelers' checks, travelers' letters of credit and other letters of credit (less any outstanding drafts accepted thereunder) sold for cash or its equivalent by the reporting bank or its agents.
 - (g) Outstanding drafts and bills of exchange accepted by the reporting bank or its agents for money or its equivalent, including drafts accepted against a letter of credit issued for money or its equivalent.
 - (h) On the FFIEC 031, checks or drafts drawn by, or on behalf of, a non-U.S. office of the reporting bank on an account maintained at a U.S. office of the reporting bank. Such drafts are, for Report of Condition and federal deposit insurance assessment purposes, the same as officers' checks. This would include "London checks," "Eurodollar bills payable checks," and any other credit items that the domestic bank issues in connection with such transactions.

Exclude from this item deposits of:

- (1) The U.S. Government (report in Schedule RC-E, item 2).
- (2) States and political subdivisions in the U.S. (report in Schedule RC-E, item 3).
- (3) Commercial banks in the U.S. (report in Schedule RC-E, item 4).
- (4) Other depository institutions in the U.S. (report in Schedule RC-E, item 4).
- (5) Banks in foreign countries (report in Schedule RC-E, item 5).

- 2** **Deposits of U.S. Government.** Report in the appropriate column all deposits of federal public funds made by or for the account of the United States or some department, bureau, or official thereof.

Include in this item:

- (1) U.S. Treasury Tax and Loan Accounts, including deposits of federal income tax withheld from employee salaries, from interest and dividend payments, and from distributions or payments from pensions, annuities, and other deferred income including IRAs; social security tax deposits and other federal tax payments; and the proceeds from sales of U.S. Savings Bonds.

NOTE: Only deposits credited to the U.S. Treasury Tax and Loan demand deposit accounts that represent funds received as of the close of business of the "current" day should be reported as Treasury Tax and Loan Demand Deposits. (The "current" day's deposits should reflect those deposits on the bank's books standing to the credit of the U.S. Treasury's Tax and Loan Account as of the report date.) Funds credited to Tax and Loan Demand Deposit Accounts as of the close of business on previous days should already have been remitted to the Federal Reserve Bank (and thus excluded from this report) or automatically converted into open-ended interest-bearing notes (to be reported as "Other borrowings" in Schedule RC-M, item 5.b), depending on the option selected by the reporting institution.

Item No. Caption and Instructions

2 (2) Deposits standing to the credit of certain quasi-governmental institutions when the reporting bank has been designated by the U.S. Treasury as a depository for such funds.
(cont.)

(3) Deposits of the U.S. Postal Service and local post offices.

Exclude from this item deposits of U.S. Government agencies and instrumentalities. (Such deposits are to be reported in Schedule RC-E, item 1, above.)

3 **Deposits of states and political subdivisions in the U.S.** Report in the appropriate column all deposits standing to the credit of states, counties, municipalities, and local housing authorities; school, irrigation, drainage, and reclamation districts; other instrumentalities of one or more states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions; and Indian tribes in the U.S.

Also include deposits of funds advanced to states and political subdivisions by U.S. Government agencies and corporations and deposits of withheld income taxes of states and political subdivisions.

4 **Deposits of commercial banks and other depository institutions in the U.S.** Report in the appropriate column all deposits of commercial banks and other depository institutions located in the U.S.

Commercial banks in the U.S. cover:

- (1) U.S. branches and agencies of foreign banks; and
- (2) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks.

Other depository institutions in the U.S. cover:

- (1) Building or savings and loan associations, homestead associations, and cooperative banks;
- (2) credit unions; and
- (3) mutual and stock savings banks.

For purposes of these reports, U.S. branches and agencies of foreign banks include U.S. branches and agencies of foreign official banking institutions and investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through correspondent for federal required reserves, see the Glossary entry for "pass-through reserve balances." For the appropriate treatment of deposits of depository institutions for which the reporting bank is acting as an agent for an excess balance account at a Federal Reserve Bank, see the Glossary entry for "excess balance account."

Refer to the Glossary entries for "banks, U.S. and foreign" and "depository institutions in the U.S." for further discussion of these terms.

Item No. Caption and Instructions6
(cont.)Include as all other assets:

- (1) Prepaid expenses, i.e., those applicable as a charge against earnings in future periods, including prepaid deposit insurance assessments.¹
- (2) Automobiles, boats, equipment, appliances, and similar personal property repossessed or otherwise acquired for debts previously contracted.
- (3) Derivative instruments that have a positive fair value that the bank holds for purposes other than trading. For further information, see the Glossary entry for "derivative contracts."
- (4) Retained interests in accrued interest receivable related to securitized credit cards. For further information, see the Glossary entry for "accrued interest receivable related to credit card securitizations."
- (5) Accrued interest on securities purchased (if accounted for separately from "accrued interest receivable" in the bank's records).
- (6) Cash items not conforming to the definition of "Cash items in process of collection" found in the instruction to Schedule RC, item 1.a.
- (7) The *full* amount (with the exceptions noted below) of customers' liability to the reporting bank on drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and are outstanding. The amount of customers' liability to the reporting bank on its acceptances that have not yet matured should be reduced *only* when: (a) the customer anticipates its liability to the reporting bank on an outstanding acceptance by making a payment to the bank in advance of the acceptance's maturity that immediately reduces the customer's indebtedness to the bank on such an acceptance; or (b) the reporting bank acquires and holds its own acceptance. See the Glossary entry for "bankers acceptances" for further information.
- (8) Credit or debit card sales slips in process of collection until the reporting bank has been notified that it has been given credit (report thereafter in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and, if applicable, in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," or item 3, "Balances due from banks in foreign countries and foreign central banks," as appropriate).
- (9) Purchased computer software, net of accumulated amortization, and unamortized costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, "Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed").
- (10) Bullion (e.g., gold or silver) not held for trading purposes.

¹ For banks involved in insurance activities, examples of prepaid expenses include ceding fees and acquisition fees paid to insurance carriers external to the consolidated bank.

Item No. **Caption and Instructions**

- 6**
(cont.)
- (11) Original art objects, including paintings, antique objects, and similar valuable decorative articles (report at cost unless there has been a decline in value, judged to be other than temporary, in which case the object should be written down to its fair value).
 - (12) Securities or other assets held in charitable trusts (e.g., Clifford Trusts).
 - (13) Cost of issuing subordinated notes and debentures, net of accumulated amortization.
 - (14) Furniture and equipment rented to others under operating leases, net of accumulated depreciation.
 - (15) Ground rents.
 - (16) Customers' liability for deferred payment letters of credit.
 - (17) Reinsurance recoverables from reinsurers external to the consolidated bank.
 - (18) "Separate account assets" of the reporting bank's insurance subsidiaries.
 - (19) The positive fair value of unused loan commitments (not accounted for as derivatives) that the bank has elected to report at fair value under a fair value option.
 - (20) FDIC loss-sharing indemnification assets. These indemnification assets represent the carrying amount of the right to receive payments from the FDIC for losses incurred on specified assets acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. (Exclude the assets covered by the FDIC loss-sharing agreements from this component of "All other assets." Instead, report each covered asset in the balance sheet category appropriate to the asset on Schedule RC, e.g., report covered held-for-investment loans in Schedule RC, item 4.b, "Loans and leases, net of unearned income.")

Exclude from all other assets:

- (1) Redeemed U.S. savings bonds and food stamps (report in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and, if applicable, in Schedule RC-A, item 1, "Cash items in process of collection, unposted debits, and currency and coin").
- (2) Real estate owned or leasehold improvements to property intended for future use as banking premises (report in Schedule RC, item 6, "Premises and fixed assets").
- (3) Accounts identified as "building accounts," "construction accounts," or "remodeling accounts" (report in Schedule RC, item 6, "Premises and fixed assets").
- (4) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the bank has not yet received title to the property, and real estate collateral underlying a loan when the bank has obtained physical possession of the collateral, regardless of whether formal foreclosure proceedings have been instituted against the borrower (report as "Other real estate owned" in Schedule RC, item 7).

Item No. **Caption and Instructions**

- 6** (5) Due bills representing purchases of securities or other assets by the reporting bank that
(cont.) have not yet been delivered (report as loans in Schedule RC-C).
- (6) Factored accounts receivable (report as loans in Schedule RC-C).
- 7** **Total.** Report the sum of items 1 through 6. This amount must equal Schedule RC, item 11,
 "Other assets."

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Item No. Caption and Instructions

- 13.a.(1) Issued or guaranteed by FNMA, FHLMC, or GNMA.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale mortgage pass-through securities issued or guaranteed by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Government National Mortgage Association (GNMA) (as defined for Schedule RC-B, items 4.a.(1), 4.a.(2), and 4.c.(1)) held in domestic offices of the reporting bank. Also include commercial mortgage pass-through securities guaranteed by the Small Business Administration.
- 13.a.(2) Other mortgage pass-through securities.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale mortgage pass-through securities issued by non-U.S. Government issuers (as defined for Schedule RC-B, items 4.a.(3) and 4.c.(1)) held in domestic offices of the reporting bank.
- 13.b Other mortgage-backed securities.** Report in the appropriate columns of the appropriate subitems the amortized cost of held-to-maturity and the fair value of available-for-sale mortgage pass-through securities other than pass-through securities (as defined for Schedule RC-B, items 4.b and 4.c.(2)) held in domestic offices of the reporting bank.
- 13.b.(1) Issued or guaranteed by U.S. Government agencies or sponsored agencies.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies (as defined for Schedule RC-B, items 4.b.(1) and 4.c.(2)) held in domestic offices of the reporting bank. Also include REMICs issued by the U.S. Department of Veterans Affairs (VA) held in domestic offices of the reporting bank.
- U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA). U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).
- 13.b.(2) All other mortgage-backed securities.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities issued non-U.S. Government issuers (as defined for Schedule RC-B, items 4.b.(2), 4.b.(3), and 4.c.(2)) held in domestic offices of the reporting bank.
- 14 Other domestic debt securities.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale asset-backed securities (as defined for Schedule RC-B, item 5.a) issued by issuers in the U.S., structured financial products (as defined for Schedule RC-B, item 5.b) issued by issuers in the U.S., and "Other domestic debt securities" (as defined for Schedule RC-B, item 6.a) held in domestic offices of the reporting bank.

Item No. **Caption and Instructions**

- 15** **Foreign debt securities.** Report in the appropriate columns the amortized cost of held-to-maturity and the fair value of available-for-sale asset-backed securities (as defined for Schedule RC-B, item 5.a) issued by non-U.S. issuers, structured financial products (as defined for Schedule RC-B, item 5.b) issued by non-U.S. issuers, and foreign debt securities (as defined for Schedule RC-B, item 6.b) held in domestic offices of the reporting bank.
- 16** **Investments in mutual funds and other equity securities with readily determinable fair values.** Report in column B the fair value of all investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule RC-B, item 7) held in domestic offices of the reporting bank.
- 17** **Total held-to-maturity and available-for-sale securities.** Report the sum of items 10 through 16. The total of column A for this item must be less than or equal to Schedule RC-B, item 8, column A. The total of column B for this item must be less than or equal to Schedule RC-B, item 8, column D.
- 18** **Equity securities that do not have readily determinable fair values.** Report the historical cost of equity securities without readily determinable fair values (as defined for Schedule RC-F, item 4) held in domestic offices of the reporting bank.

SCHEDULE RC-K – QUARTERLY AVERAGES

General Instructions

Report for the items on this schedule the average of the balances as of the close of business for each day for the calendar quarter or an average of the balances as of the close of business on each Wednesday during the calendar quarter. For days that an office of the bank (or any of its consolidated subsidiaries or branches) is closed (e.g., Saturdays, Sundays, or holidays), use the amount outstanding from the previous business day. An office is considered closed if there are no transactions posted to the general ledger as of that date.

If the reporting bank was the acquirer in a business combination accounted for under the acquisition method for which the acquisition date was during the calendar quarter, the quarterly averages for the bank should include in the numerator:

- Dollar amounts for the reporting bank for each day (or each Wednesday) from the beginning of the quarter until the acquisition date and
- Dollar amounts for the reporting bank and the acquired bank or business for each day (or each Wednesday) from the acquisition date through the end of the quarter

and should include in the denominator the number of days (or Wednesdays) in the entire quarter.

If the reporting bank was acquired in a transaction for which the acquisition date was during the calendar quarter and push down accounting was used to account for the acquisition, the quarterly averages for the bank should include only the dollar amounts for each day (or each Wednesday) from the acquisition date to the end of the quarter in the numerator and the number of days (or Wednesdays) from the acquisition date through the end of the quarter in the denominator.

If the reporting bank entered into a reorganization that became effective during the calendar quarter and has been accounted for at historical cost in a manner similar to a pooling of interests, the quarterly averages for the bank should include dollar amounts for both the reporting bank and the bank or business that was combined in the reorganization for each day (or each Wednesday) from the beginning to the end of the quarter in the numerator and the number of days (or Wednesdays) in the entire quarter in the denominator.

For further information on business combinations, push down accounting, and reorganizations, see the Glossary entry for "business combinations."

If the bank began operating during the calendar quarter, the quarterly averages for the bank should include only the dollar amounts for the days (or Wednesdays) since the bank began operating in the numerator and the number of days (or Wednesdays) since the bank began operating in the denominator.

For all banks, the loan categories specified in item 6 of this schedule correspond to the loan category definitions for Schedule RC-C, part I, Loans and Leases.

Item Instructions

Item No. Caption and Instructions

ASSETS

- 1 Interest-bearing balances due from depository institutions.** Report the quarterly average for the fully consolidated bank's interest-bearing balances due from depository institutions (as defined for Schedule RC, item 1.b, "Interest-bearing balances").

<u>Item No.</u>	<u>Caption and Instructions</u>
2	<u>U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities).</u> Report the quarterly average of the <u>amortized cost</u> of the bank's held-to-maturity and available-for-sale U.S. Treasury and Government agency obligations (as defined for Schedule RC-B, items 1 and 2, columns A and C).
3	<u>Mortgage-backed securities.</u> Report the quarterly average of the <u>amortized cost</u> of the bank's held-to-maturity and available-for-sale mortgage-backed securities (as defined for Schedule RC-B, item 4, columns A and C).
4	<u>All other securities.</u> Report the quarterly average of the <u>amortized cost</u> of the bank's held-to-maturity and available-for-sale securities issued by states and political subdivisions in the U.S., asset-backed securities and structured financial products, and other debt securities (as defined for Schedule RC-B, items 3, 5, and 6, columns A and C) plus the quarterly average of the historical cost of investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule RC-B, item 7, column C).
5	<u>Federal funds sold and securities purchased under agreements to resell.</u> Report the quarterly average for federal funds sold and securities purchased under agreements to resell (as defined for Schedule RC, item 3).
6	<u>Loans:</u>
FFIEC 041	FFIEC 031
<u>Item No.</u>	<u>Item No.</u> <u>Caption and Instructions</u>
-	6.a <u>Loans in domestic offices:</u>
6.a	6.a.(1) <u>Total loans (in domestic offices).</u> Report the quarterly average for total loans, net of unearned income (as defined for Schedule RC-C, part I, items 1 through 9, less item 11, column B).
6.b	6.a.(2) <u>Loans secured by real estate:</u>
6.b.(1)	6.a.(2)(a) <u>Loans secured by 1-4 family residential properties.</u> Report the quarterly average for loans secured by 1-4 family residential properties (in domestic offices) (as defined for Schedule RC-C, part I, item 1.c, column B).
6.b.(2)	6.a.(2)(b) <u>All other loans secured by real estate.</u> Report the quarterly average for all loans secured by real estate, excluding those secured by 1-4 family residential properties (in domestic offices) (as defined for Schedule RC-C, part 1, items 1.a, 1.b, 1.d, and 1.e, column B).
-	6.a.(3) <u>Loans to finance agricultural production and other loans to farmers.</u> Report the quarterly average for loans to finance agricultural production and other loans to farmers in domestic offices (as defined for Schedule RC-C, part I, item 3, column B).
6.c	6.a.(4) <u>Commercial and industrial loans.</u> Report the quarterly average for commercial and industrial loans (in domestic offices) (as defined for Schedule RC-C, part I, item 4, column B).
6.d	6.a.(5) <u>Loans to individuals for household, family, and other personal expenditures:</u>

FFIEC 041 FFIEC 031

Item No. Item No. Caption and Instructions

- 6.d.(1)** **6.a.(5)(a)** **Credit cards.** Report the quarterly average for credit cards. For purposes of this schedule, credit cards (in domestic offices) (as defined for Schedule RC-C, part I, item 6.a, column B).
- 6.d.(2)** **6.a.(5)(b)** **Other.** Report the quarterly average for loans (in domestic offices) to individuals for household, family, and other personal expenditures other than credit cards (as defined for Schedule RC-C, part I, items 6.b, 6.c, and 6.d, column B).
- **6.b** **Total loans in foreign offices, Edge and Agreement subsidiaries, and IBFs.** Report the quarterly average for total loans, net of unearned income (as defined for Schedule RC-C, part I, items 1 through 9, less item 11), held in the reporting bank's foreign offices, Edge and Agreement subsidiaries, and IBFs.

FFIEC 031 and 041

Item No. Caption and Instructions

NOTE: On the FFIEC 041, item 7 is to be completed by banks that have \$100 million or more in total assets.

- 7** **Trading assets.** Report the quarterly average for the fully consolidated bank's trading assets (as defined for Schedule RC, item 5). Trading assets include trading derivatives with positive fair values.
- 8** **Lease financing receivables (net of unearned income).** Report the quarterly average for the fully consolidated bank's lease financing receivables, net of unearned income (as defined for Schedule RC-C, part I, item 10, column B, on the FFIEC 041; column A on the FFIEC 031).
- 9** **Total assets.** Report the quarterly average for the bank's total assets, as defined for "Total assets," on Schedule RC, item 12, except that this quarterly average should reflect all debt securities (not held for trading) at amortized cost and available-for-sale equity securities with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost. In addition, to the extent that net deferred tax assets included in the bank's total assets, if any, include the deferred tax effects of any unrealized holding gains and losses on available-for-sale debt securities, these deferred tax effects may be excluded from the determination of the quarterly average for total assets. If these deferred tax effects are excluded, this treatment must be followed consistently over time.

This item is not the sum of items 1 through 8 above.

LIABILITIES

- 10** **Interest-bearing transaction accounts (in domestic offices).** Report the quarterly average for interest-bearing transaction accounts (in domestic offices): interest-bearing demand deposits, NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts (as defined for Schedule RC-E, (part I,) column A, "Total transaction accounts"). Exclude noninterest-bearing demand deposits. See the Glossary entry for "deposits" for the definitions of "demand deposits," "NOW accounts," "ATS accounts," and "telephone or preauthorized transfer accounts."
- 11** **Nontransaction accounts (in domestic offices):**

Item No. Caption and Instructions

- 11.a Savings deposits.** Report the quarterly average for savings deposits (as defined for Schedule RC-E, (part I), Memorandum items 2.a.(1) and 2.a.(2)). Savings deposits include money market deposit accounts (MMDAs) and other savings deposits.
- 11.b Time deposits of \$100,000 or more.** Report the quarterly average for time deposits of \$100,000 or more (as defined for Schedule RC-E, (part I), Memorandum items 2.c and 2.d).
- 11.c Time deposits of less than \$100,000.** Report the quarterly average for time deposits of less than \$100,000 (as defined for Schedule RC-E, (part I,) Memorandum item 2.b).

FFIEC 041 FFIEC 031**Item No. Item No. Caption and Instructions**

- | | | |
|----|----|--|
| - | 12 | <u>Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs.</u> Report the quarterly average for interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs (as defined for Schedule RC, item 13.b.(2), "Interest-bearing"). |
| 12 | 13 | <u>Federal funds purchased and securities sold under agreements to repurchase.</u> Report the quarterly average for federal funds purchased and securities sold under agreements to repurchase (as defined for Schedule RC, item 14). |

NOTE: On the FFIEC 041, item 13 is to be completed by banks that have \$100 million or more in total assets.

- | | | |
|----|----|--|
| 13 | 14 | <u>Other borrowed money.</u> Report the quarterly average for the fully consolidated bank's other borrowed money (as defined for Schedule RC, item 16). |
|----|----|--|

Memorandum**FFIEC 041****Item No. Caption and Instructions**

NOTE: Memorandum item 1 is applicable only to banks filing the FFIEC 041 report. There are no Schedule RC-K memorandum items on the FFIEC 031.

1 Loans to finance agricultural production and other loans to farmers.

Memorandum 1 is to be completed by:

- banks with \$300 million or more in total assets, and
- banks with less than \$300 million in total assets and with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3, column B) exceeding five percent of total loans, net of unearned income.

All other banks should report a zero or the word "none" in this item.

Report in this item the quarterly average for loans to finance agricultural production and other loans to farmers (as defined for Schedule RC-C, part I, item 3, column B).

SCHEDULE RC-O – OTHER DATA FOR DEPOSIT INSURANCE AND FICO ASSESSMENTS

General Instructions

Each FDIC-insured depository institution must complete items 1 and 2, 4 through 11, Memorandum items 1 and 5, and, if applicable, item 3 and Memorandum items 2 and 3 each quarter. Each “large institution” and each “highly complex institution,” which generally are FDIC-insured depository institutions with \$10 billion or more in total assets, must complete Memorandum items 6 through 12 and 13.a each quarter. In addition, each “large institution” must complete Memorandum items 13.b through 13.g and each “highly complex institution” must complete Memorandum items 14 and 15 each quarter. The terms “large institution” and “highly complex institution” are more fully described in the General Instructions preceding Memorandum item 6.

Schedule RC-O should be completed on an “unconsolidated single FDIC certificate number basis.” Each separately chartered depository institution that is insured by the FDIC has a unique FDIC certificate number. When one FDIC-insured institution owns another FDIC-insured institution as a subsidiary, it should complete Schedule RC-O by accounting for this subsidiary under the equity method of accounting instead of consolidating it. Thus, each FDIC-insured institution should report only its own amounts in Schedule RC-O under its own FDIC certificate number without eliminating the parent and subsidiary institutions’ intercompany balances. In contrast, when an FDIC-insured institution has entities other than FDIC-insured institutions that must be consolidated for purposes of Schedule RC – Balance Sheet, the institution should complete Schedule RC-O on a consolidated basis with respect to these other entities.

Item Instructions

Item No. Caption and Instructions

- 1** **Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.** Report on an unconsolidated single FDIC certificate number basis the gross total deposit liabilities as of the calendar quarter-end report date that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting allowable exclusions from total deposits. An institution’s gross total deposit liabilities are the combination of:
- All deposits in “domestic offices” reported in Schedule RC, item 13.a;
 - All deposits in “foreign offices” reported in Schedule RC, item 13.b, on the FFIEC 031 report;
 - Interest accrued and unpaid on deposits in “domestic offices” reported in Schedule RC-G, item 1.a;
 - Interest accrued and unpaid on deposits in “foreign offices” included in Schedule RC-G, item 1.b;
 - Uninvested trust funds held in the institution’s own trust department;
 - Deposits of consolidated subsidiaries and the interest accrued and unpaid on such deposits;
 - The amount by which demand deposits reported in Schedule RC, item 13, have been reduced from the netting of the reporting institution’s reciprocal demand balances with foreign banks and foreign offices of other U.S. banks (other than insured branches in Puerto Rico and U.S. territories and possessions); and

Item No. Caption and Instructions

- 1**
(cont.)
- The amount by which any other deposit liabilities reported in Schedule RC, item 13, have been reduced by assets netted against these liabilities in accordance with generally accepted accounting principles;
 - Less the amount of unamortized premiums included in the amount of deposit liabilities reported in Schedule RC, item 13;
 - Plus the amount of unamortized discounts reflected in the amount of deposit liabilities reported in Schedule RC, item 13;
 - Plus other obligations meeting the Section 3(l) statutory definition of a deposit that may be housed in systems of record not normally thought of as deposit systems, such as loan, payroll, and escrow systems and manual records that contain information needed to answer depositors' questions on their deposits.

See the Glossary entry for "deposits" for the statutory definition of deposits.

If unposted debits and unposted credits are included in the gross total deposit liabilities reported in this item, they may be excluded in Schedule RC-O, item 2 below.

- 2**
- Total allowable exclusions, including interest accrued and unpaid on allowable exclusions (including foreign deposits).** Report on an unconsolidated single FDIC certificate number basis the total amount of allowable exclusions from deposits as of the calendar quarter-end report date if the institution maintains such records as will readily permit verification of the correctness of its reporting of exclusions.

Any accrued and unpaid interest on the allowable exclusions listed below should also be reported in this item as an allowable exclusion.

The allowable exclusions include:

- (1) *Foreign Deposits:* As defined in Section 3(l)(5) of the Federal Deposit Insurance Act, foreign deposits include
- (A) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of any State, unless –
- (i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and
 - (ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and
- (B) any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the Board of Governors of the Federal Reserve System in regulation D or any successor regulation issued by the Board of Governors of the Federal Reserve System.

NOTE: Foreign deposits are deposit obligations under the FDIC certificate number of the reporting bank only. Deposit obligations of a subsidiary depository institution chartered in a foreign country should not be included in amounts reported in Schedule RC-O under the domestic bank's FDIC certificate number.

Item No. Caption and Instructions

10.a Balances due from Federal Reserve Banks include the total balances due from Federal Reserve Banks, including the qualifying banker's bank's own reserves and other balances as well as reserve balances actually passed through to a Federal Reserve Bank by the banker's bank on behalf of its respondent depository institutions (as described in the instructions for Schedule RC-A, item 4, "Balances due from Federal Reserve Banks"). For a qualifying banker's bank that is a respondent in a pass-through reserve relationship with a correspondent bank, balances due from Federal Reserve Banks include the reserve balances the correspondent bank has passed through to a Federal Reserve Bank for the respondent banker's bank. Balances due from Federal Reserve Banks also include the qualifying banker's bank's excess balance accounts, which are limited-purpose accounts at Federal Reserve Banks for maintaining an institution's excess balances that are eligible to earn interest on their Federal Reserve balances. See the Glossary entry for "pass-through reserve balances."

(cont.)

Federal funds sold are defined in the instructions for Schedule RC, item 3.a, "Federal funds sold." See also the Glossary entry for "federal funds transactions."

10.b **Banker's bank deduction limit.** A qualifying banker's bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item the banker's bank deduction limit, which equals the sum of a qualifying banker's bank's average deposits of commercial banks and other depository institutions in the U.S. plus its average federal funds purchased. These averages should be calculated on a daily or weekly basis consistent with the qualifying banker's bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).

Deposits of commercial banks and other depository institutions in the U.S. are defined in the instructions for Schedule RC-E, item 4.

Federal funds purchased are defined in the instructions for Schedule RC, item 14.a, "Federal funds purchased." See also the Glossary entry for "federal funds transactions."

11 **Custodial bank certification: Does the reporting institution meet the definition of a custodial bank set forth in FDIC regulations?** If the reporting institution meets the custodial bank definition, it should answer "Yes" to item 11 and complete items 11.a and 11.b. If the reporting institution does not meet the custodial bank definition, it should answer "No" to item 11 and it should not complete items 11.a and 11.b.

A custodial bank, as defined in Section 327.5(c)(1) of the FDIC's regulations, is an insured depository institution that had:

- (1) "Fiduciary and custody and safekeeping assets" (the sum of item 10, columns A and B, plus item 11, column B, in Schedule RC-T – Fiduciary and Related Services) of \$50 billion or more as of the end of the previous calendar year, or
- (2) Income from fiduciary activities (Schedule RI, item 5.a) that was more than 50 percent of its total revenue (interest income plus noninterest income, which is the sum of items 1.h and 5.m of Schedule RI) during the previous calendar year.

Item No. Caption and Instructions

11.a Custodial bank deduction. An institution that meets the definition of a custodial bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item the custodial bank deduction, which equals average qualifying low-risk assets. Qualifying low-risk assets are determined without regard to the maturity of the assets. Average qualifying low-risk assets equals the sum of:

- (1) The average amount of cash and balances due from depository institutions with a risk weighting for risk-based capital purposes of zero percent (as defined for Schedule RC-R, item 34, column C) plus 50 percent of the average amount of cash and balances due from depository institutions with a risk weighting of 20 percent (as defined for Schedule RC-R, item 34, column D);
- (2) The average amount of held-to-maturity securities with a risk weighting for risk-based capital purposes of zero percent (as defined for Schedule RC-R, item 35, column C) plus 50 percent of the average amount of held-to-maturity securities with a risk weighting of 20 percent (as defined for Schedule RC-R, item 35, column D);
- (3) The average amount of available-for-sale securities with a risk weighting for risk-based capital purposes of zero percent (as defined for Schedule RC-R, item 36, column C) plus 50 percent of the average amount of available-for-sale securities with a risk weighting of 20 percent (as defined for Schedule RC-R, item 36, column D); and
- (4) The average amount of federal funds sold and securities purchased under agreements to resell with a risk weighting for risk-based capital purposes of zero percent (as defined for Schedule RC-R, item 37, column C) plus 50 percent of the average amount of federal funds sold and securities purchased under agreements to resell with a risk weighting of 20 percent (as defined for Schedule RC-R, item 37, column D).

These averages should be calculated on a daily or weekly basis consistent with the custodial bank's calculation of its average consolidated total assets in Schedule RC-O, item 4 (and as reported in Schedule RC-O, item 4.a).

11.b Custodial bank deduction limit. An institution that meets the definition of a custodial bank is eligible to have the FDIC deduct certain assets from its assessment base, subject to a limit. Report in this item the custodial bank deduction limit, which equals the average amount of the institution's transaction account deposit liabilities identified by the institution as being directly linked to a fiduciary, custodial, or safekeeping account reported in Schedule RC-T – Fiduciary and Related Services. The titling of a transaction account or specific references in the deposit account documents should clearly demonstrate the link between the transaction account and a fiduciary, custodial, or safekeeping account.

For deposits in domestic offices, the term "transaction account" is defined in Federal Reserve Regulation D and in the Glossary entry for "deposits" and such deposits are reported in Schedule RC-E, (part I,) item 7, column A. In general, a transaction account is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine, a remote service unit, or another electronic device, including by debit card. For purposes of reporting the custodial bank deduction limit in this item, a custodial bank with deposits in foreign offices should include foreign office deposit liabilities (reported in Schedule RC-E, part II) with the characteristics of a transaction account that are linked to a fiduciary, custody, or safekeeping account reported in Schedule RC-T – Fiduciary and Related Services.

Memoranda**Item No. Caption and Instruction**

- 2** systems in place that enable it to classify accounts by deposit owner and/or ownership capacity, the bank should incorporate this information into its estimate of the amount of uninsured deposits by aggregating accounts held by the same deposit owner in the same ownership capacity before applying the \$250,000 insurance limit. Ownership capacities include, but are not limited to, single ownership, joint ownership, business (excluding sole proprietorships), revocable trusts, irrevocable trusts, and retirement accounts

(cont.)

In the absence of automated information systems, a bank may use nonautomated information such as paper files or less formal knowledge of its depositors if such information provides reasonable estimates of appropriate portions of its uninsured deposits. A bank's use of such nonautomated sources of information is considered appropriate unless errors associated with the use of such sources would contribute significantly to an overall error in the FDIC's estimate of the amount of insured and uninsured deposits in the banking system.

- 3** **Has the reporting institution been consolidated with a parent bank or savings association in that parent bank's or parent savings association's Call Report or Thrift Financial Report?** If the reporting bank is owned by another bank or savings association and that parent bank or parent savings association is consolidating the reporting bank as part of the parent institution's Call Report or Thrift Financial Report for this report date, report the legal title and FDIC Certificate Number of the parent institution in this item.
- 4** Not applicable.
- 5** **Noninterest-bearing transaction accounts (as defined in Section 343 of the Dodd-Frank Act) of more than \$250,000.**

NOTE: Schedule RC-O, Memorandum items 5.a and 5.b, below, for the amount and number of noninterest-bearing transaction accounts of more than \$250,000 are to be completed – beginning in the reports for December 31, 2010 – by all FDIC-insured depository institutions, whether or not they had previously opted to participate in the FDIC's Transaction Account Guarantee Program. Memorandum items 5.a and 5.b are to be reported as of the quarter-end report date, not as daily averages for the quarter.

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act amended Section 11(a)(1)(B) of the Federal Deposit Insurance Act (FDI Act) with respect to the insurance coverage of noninterest-bearing transaction accounts. These amendments take effect December 31, 2010, and require the FDIC to “fully insure the net amount that any depositor at an insured depository institution maintains in a noninterest-bearing transaction account.” This unlimited insurance coverage will be in effect only through December 31, 2012.

As defined in Section 11(a)(1)(B) of the FDI Act, as added by Section 343 of the Dodd-Frank Act and as subsequently amended, a “noninterest-bearing transaction account” is:

Memoranda**Item No. Caption and Instruction**

- 5** (cont.) (1) A deposit or an account (in a domestic office or an insured branch in Puerto Rico or a U.S. territory or possession):
- (a) “with respect to which interest is neither accrued nor paid;”
 - (b) “on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and”
 - (c) “on which the insured depository institution does not reserve the right to require advance notice of an intended withdrawal; and”
- (2) “a trust account established by an attorney or law firm on behalf of a client, commonly known as an ‘Interest on Lawyers Trust Account’, or a functionally equivalent account, as determined by the Corporation.”

Thus, the term “noninterest-bearing transaction account” includes all demand deposits, including certified checks and official checks (such as cashiers’ checks and money orders) drawn on the reporting institution, on which the institution makes no payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. However, pursuant to Section 627 of the Dodd-Frank Act, as of July 21, 2011, institutions are no longer restricted from paying interest on demand deposit accounts. If an institution modifies the terms of its demand deposit account agreement on or after July 21, 2011, so that the account may earn interest, the account will no longer satisfy the definition of a noninterest-bearing transaction account, will no longer be eligible for full deposit insurance coverage, and should no longer be reported in Memorandum items 5.a and 5.b.

Even if checks may be drawn on the account, a “noninterest-bearing transaction account” does not include, for example, any transaction account that may earn interest, such as a negotiable order of withdrawal (NOW) account, or a money market deposit account (MMDA) as defined in Federal Reserve Regulation D.

Account features such as the waiver of fees or the provision of fee-reducing credits do not prevent an account from qualifying as a noninterest-bearing transaction account as long as the account otherwise satisfies the definition of a noninterest-bearing transaction account.

In determining whether funds are in a noninterest-bearing transaction account for purposes of reporting in Memorandum items 5.a and 5.b, the FDIC will apply its normal rules and procedures under Section 360.8 of the FDIC’s regulations for determining account balances at a failed insured depository institution. Under these procedures, funds may be swept or transferred from a noninterest-bearing transaction account to another type of deposit account or product that is not a noninterest-bearing transaction account. Except as described in the following sentence, unless the funds are in a noninterest-bearing transaction account after the completion of a sweep under Section 360.8, the funds in the resulting account or product will not be eligible for full deposit insurance coverage and they should not be reported in Memorandum items 5.a and 5.b. However, in the case of funds swept from a noninterest-bearing transaction account to a noninterest-bearing savings account as defined in Federal Reserve Regulation D, the FDIC will treat the swept funds as being in a noninterest-bearing transaction account. If the sum of the swept funds in the noninterest-bearing savings account plus any amount remaining in the related noninterest-bearing transaction account is

Memoranda**Item No. Caption and Instruction**

5 more than \$250,000, this sum should be reported in Memorandum item 5.a and the swept
(cont.) funds and the related noninterest-bearing transaction account should be reported as one
account in Memorandum item 5.b.

Include public funds held in “noninterest-bearing transaction accounts” of more than \$250,000 whether or not they are collateralized with pledged securities or other pledged assets.

Report in the appropriate subitem the amount outstanding and the number of noninterest-bearing transaction accounts (as defined above and in the FDIC’s regulations implementing Section 343) with a balance on the report date of more than \$250,000. An institution may exclude noninterest-bearing transaction accounts with a balance of more than \$250,000 if the entire balance in the account is fully insured under the FDIC’s regular deposit insurance rules (i.e., without considering the insurance protection provided under Section 343), such as joint account relationship rules or “pass-through” insurance coverage rules. In noninterest-bearing transaction accounts with a balance of more than \$250,000 where the entire balance is not fully insured, an institution may exclude any amounts over \$250,000 that are otherwise insured under the FDIC’s regular deposit insurance rules. These amounts may be excluded to the extent that they can be determined by the institution and fully supported in the institution’s workpapers for this report. An institution is not required to make a determination of amounts otherwise insured but may do so at its option.

5.a **Amount of noninterest-bearing transaction accounts of more than \$250,000.**
Report the aggregate balance of all noninterest-bearing transaction accounts (as defined in Schedule RC-O, Memorandum item 5, above) with a balance on the report date of more than \$250,000. This amount should represent the total of the balances of the noninterest-bearing transaction accounts enumerated in Call Report Schedule RC-O, Memorandum item 5.b, below.

5.b **Number of noninterest-bearing transaction accounts of more than \$250,000.**
Report the total number of noninterest-bearing transaction accounts (as defined in Schedule RC-O, Memorandum item 5, above) with a balance on the report date of more than \$250,000.

General Instructions for Schedule RC-O, Memorandum items 6 through 15

Memorandum items 6 through 15 are applicable only to large institutions and/or highly complex institutions. Amounts reported in Memorandum items 6 through 9, 14, and 15 will not be made available to the public on an individual institution basis.

According to Section 327.8(f) of the FDIC’s regulations, a large institution is an FDIC-insured bank or savings association that reported total assets of \$10 billion or more as of December 31, 2006, that does not meet the definition of a highly complex institution. After December 31, 2006, if a bank or savings association not previously classified as a large institution reports total assets of \$10 billion or more for four consecutive quarters, the bank or savings association will be classified as a large institution beginning the following quarter. In the Consolidated Reports of Condition and Income, an FDIC-insured depository institution’s total assets is reported in Schedule RC, item 12.

Memoranda

General Instructions for Schedule RC-O, Memorandum items 6 through 15 (cont.)

According to Section 327.8(g) of the FDIC's regulations, a highly complex institution is an FDIC-insured bank or savings association (excluding a credit card bank¹) that:

- (1) Has had \$50 billion or more in total assets for at least four consecutive quarters that either is controlled by a U.S. parent holding company that has had \$500 billion or more in total assets for four consecutive quarters, or is controlled by one or more intermediate U.S. parent holding companies that are controlled by a U.S. holding company that has had \$500 billion or more in total assets for four consecutive quarters; or
- (2) Is a processing bank or trust company that has had \$10 billion or more in total assets for at least four consecutive quarters. According to Section 327.8(s) of the FDIC's regulations, a processing bank or trust company is "an institution whose last three years' non-lending interest income, fiduciary revenues, and investment banking fees, combined, exceed 50 percent of total revenues (and its last three years fiduciary revenues are non-zero), and whose total fiduciary assets total \$500 billion or more."

If, after December 31, 2010, a bank or savings association classified as a highly complex institution falls below \$50 billion in total assets for four consecutive quarters, or its parent company or companies fall below \$500 billion in total assets for four consecutive quarters, or a processing bank or trust company falls below \$10 billion in total assets for four consecutive quarters, the FDIC will reclassify the bank or savings association as a large institution or a small institution, as appropriate, beginning the quarter after the fourth consecutive quarter.

Transition Guidance for Reporting "Subprime Consumer Loans" and "Leveraged Loans and Securities" as Defined for Assessment Purposes Only in FDIC Regulations² – For loans originated or purchased prior to April 1, 2012, and for securities where the underlying loans were originated predominantly prior to April 1, 2012, for which the reporting institution does not have the information necessary to determine subprime consumer or leveraged status in accordance with the definitions of these asset categories set forth in the FDIC's assessment regulations and these instructions, the institution may use its existing internal methodology for identifying subprime consumer or leveraged loans and securities as the basis for reporting these assets for deposit insurance assessment purposes in Schedule RC-O, Memorandum items 8 and 9. Institutions that do not have an existing methodology in place to identify subprime consumer or leveraged loans and securities (because they are not required to report on these exposures to their primary federal regulator for examination or other supervisory purposes or did not measure and monitor loans and securities with these characteristics for internal risk management purposes) may, as an alternative to applying the definitions in the FDIC's assessment regulations to pre-April 1, 2012, loans and securities, apply existing guidance provided by their primary federal regulator, the agencies' 2001 Expanded Guidance for Subprime Lending Programs,³ or the February 2008 Comptroller's Handbook on

¹ As defined in Section 327.8(t) of the FDIC's regulation, a credit card bank is "a bank for which credit card receivables plus securitized receivables exceed 50 percent of assets plus securitized receivables."

² The definitions for subprime consumer and leveraged loans included in these Instructions are essentially the same as the definitions for subprime consumer and leveraged loans included in the FDIC's assessment regulations (12 CFR Part 327, Subpart A, Appendix C, as amended in February 2011, <http://www.fdic.gov/regulations/laws/federal/2011/11FinalFeb25.pdf>). However, to assist institutions in properly identifying subprime consumer and leveraged loans for reporting in Schedule RC-O and deposit insurance pricing purposes, certain clarifications to the definitions in the assessment regulations have been included in these instructions to facilitate the identification of such loans for assessment reporting purposes.

³ <http://www.fdic.gov/news/news/press/2001/pr0901a.html>.

Memoranda

General Instructions for Schedule RC-O, Memorandum items 6 through 15 (cont.)

Leveraged Lending¹ for purposes of identifying subprime consumer and leveraged loans originated or purchased prior to April 1, 2012, and subprime consumer and leveraged securities where the underlying loans were originated predominantly prior to April 1, 2012. All loans originated on or after April 1, 2012, and all securities where the underlying loans were originated predominantly on or after April 1, 2012, must be reported according to the definitions of these asset categories set forth in the FDIC's assessment regulations and these instructions.

For loans purchased on or after April 1, 2012, institutions may apply this transition guidance to loans originated prior to that date. Loans purchased on or after April 1, 2012, that also were originated on or after that date must be reported as subprime or leveraged according to the definitions of these asset categories set forth in the FDIC's assessment regulations and these instructions.

Large and highly complex institutions may need to revise their data systems to support the reporting of newly originated or purchased subprime consumer and leveraged loans and securities for assessment purposes only in accordance with the definitions in the FDIC's assessment regulations and these instructions on a going-forward basis beginning no later than April 1, 2012. Large and highly complex institutions relying on the transition guidance described above for reporting pre-April 1, 2012, subprime consumer and leveraged loans and securities will be expected to provide the FDIC qualitative descriptions of how the characteristics of the assets reported using their existing internal methodologies for identifying loans and securities in these higher-risk asset categories differ from those specified in the subprime consumer and leveraged loan definitions for assessment purposes only in the FDIC's assessment regulations and these instructions, including the principal areas of difference between these two approaches for each higher-risk asset category. The FDIC may review these descriptions of differences and assess the extent to which institutions' existing internal methodologies align with the applicable supervisory policy guidance for categorizing these loans. Any departures from such supervisory policy guidance discovered in these reviews, as well as institutions' progress in planning and implementing necessary data systems changes, will be considered when forming supervisory strategies for remedying departures from existing supervisory policy guidance and exercising deposit insurance pricing discretion for individual large and highly complex institutions.

Amounts Guaranteed or Insured by the U.S. Government, its Agencies, or its Government-Sponsored Agencies – The instructions for Schedule RC-O, Memorandum items 6 through 9, 10.b, 11, and 13, refer to amounts recoverable from, or guaranteed or insured by, the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions. Examples include guarantees or insurance (or reinsurance) provided by the Department of Veterans Affairs, the Federal Housing Administration, the Small Business Administration (SBA), the Department of Agriculture Rural Development Loan Program, and the Department of Education for individual loans as well as coverage provided by the FDIC under loss-sharing agreements. For loan securitizations and securities, examples include those guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) as well as SBA Guaranteed Loan Pool Certificates and securities covered by FDIC loss-sharing agreements. However, if an institution holds securities backed by mortgages it has transferred to Fannie Mae or Freddie Mac with recourse or other transferor-provided credit enhancements, these securities should not be considered guaranteed to the extent of the institution's maximum contractual credit exposure arising from the credit enhancements. NOTE: Because certain information on coverage under FDIC loss-sharing agreements is reported elsewhere in the Consolidated Reports of Condition and Income, the treatment of FDIC loss-sharing agreements varies in Schedule RC-O, Memorandum items 6 through 9, 10.b, 11, and 13.

¹ <http://www.occ.gov/static/publications/handbook/LeveragedLending.pdf>.

Memoranda**Item No. Caption and Instruction**

NOTE: Memorandum items 6 through 12 are to be completed by “large institutions” and “highly complex institutions.”

- 6** **Criticized and classified items.** Criticized and classified items include all on- and off-balance sheet items an institution or its primary federal regulator has graded Special Mention or worse (Substandard, Doubtful, or Loss). Such items include, but are not limited to, retail items adversely classified under the agencies’ Uniform Retail Credit Classification and Account Management Policy,¹ securities, funded and unfunded loans,² other real estate owned, other assets, and marked-to-market counterparty positions (less credit valuation adjustments for these counterparty positions).³ Criticized and classified items exclude loans and securities reported as trading assets, and the amount recoverable on an on- or off-balance sheet item from the U.S. government, its agencies, or its government-sponsored agencies under guarantee or insurance provisions, including FDIC loss-sharing agreements.

For purposes of the criticized and classified items definition, Loss items include any items graded Loss that have not yet been written off against the allowance for loan and lease losses (or another valuation allowance) or charged directly to earnings, as appropriate. However, because an item should be written off or charged off in the period in which the item is deemed Loss, the amount reported in Memorandum item 6.d, below, generally should be zero.

A marked-to-market counterparty position is equal to the sum of the net marked-to-market derivative exposures for each counterparty. The net marked-to-market derivative exposure equals the sum of all positive marked-to-market exposures net of legally enforceable netting provisions and net of all collateral held under a legally enforceable Credit Support Annex plus any exposure where excess collateral has been posted to the counterparty. For purposes of this item, a marked-to-market counterparty position less any credit valuation adjustment can never be less than zero.

- 6.a** **Special mention.** Report the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Special Mention.
- 6.b** **Substandard.** Report the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Substandard.
- 6.c** **Doubtful.** Report the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Doubtful.
- 6.d** **Loss.** Report the amount of on- and off-balance sheet items the reporting institution or its primary federal regulator has graded Loss.

¹ <http://www.fdic.gov/news/news/financial/2000/fil0040a.pdf>.

² The amount of the unfunded loan that should be reported as criticized or classified should equal the amount that the borrower is entitled to draw upon as of the reporting date, i.e., the unused commitment as defined in the instructions for Schedule RC-L, item 1.

³ An institution that has not previously measured its marked-to-market counterparty positions net of any applicable credit valuation adjustments for purposes of reporting criticized and classified items internally and to its primary federal regulator may report these positions in this same manner in Schedule RC-O, Memorandum item 6, particularly if the institution concludes that updating its reporting systems to net these adjustments would impose an undue burden on the institution.

Item No. Caption and Instructions

9.a
(cont.) Banks are permitted, but not required, to deduct disallowed servicing assets on a basis that is net of a proportional amount of any associated deferred tax liability recorded on the balance sheet. Any deferred tax liability used in this manner would not be available for the bank to use in determining the amount of disallowed deferred tax assets in Schedule RC-R, item 9.b, below.

9.b **LESS: Disallowed deferred tax assets.** Report the portion of net deferred tax assets included in Schedule RC-F, item 2, that **does not** qualify for inclusion in Tier 1 capital based on the capital guidelines of the reporting bank's primary federal supervisory authority. Generally, deferred tax assets that are dependent upon future taxable income are limited to the lesser of: (i) the amount of such deferred tax assets that the bank expects to realize within one year of the calendar quarter-end date, based on its projected future taxable income for that year or (ii) 10% of the amount of the bank's Tier 1 capital. A bank may calculate one overall limit on deferred tax assets that covers all tax jurisdictions in which the bank operates.

Deferred tax assets that are dependent upon future taxable income are (a) deferred tax assets arising from deductible temporary differences that exceed the amount of taxes previously paid that a bank could recover through loss carrybacks if the bank's temporary differences (both deductible and taxable) fully reverse at the report date and (b) deferred tax assets arising from operating loss and tax credit carryforwards. Therefore, for purposes of this item, all temporary differences should be assumed to fully reverse at the report date.

A bank may use its future taxable income projection for its current fiscal year (adjusted for any significant changes that have occurred or are expected to occur) when determining the regulatory capital limit for its deferred tax assets at an interim calendar quarter-end date rather than preparing a new projection each quarter. Projected future taxable income should not include net operating loss carryforwards expected to be used within one year of the quarter-end report date or the amount of existing temporary differences expected to reverse within that year, but should include the estimated effect of tax planning strategies that are expected to be implemented to realize carryforwards that will otherwise expire during that year.

When determining the amount to be reported in this item, each reporting bank's calculations should be made on a separate entity basis. Under the separate entity method, a bank (together with its consolidated subsidiaries) that is a subsidiary of a holding company is treated as a separate taxpayer rather than as part of the consolidated group of which it is a member.

Deferred tax assets which can be realized from taxes paid in prior carryback years and from future reversals of existing taxable temporary differences should generally not be reported in this item. However, for a bank that is a subsidiary of a holding company, the parent holding company may not have the financial capability to reimburse the reporting bank for tax benefits derived from the bank's carryback of net operating losses or tax credits. In such a situation, when determining the amount of deferred tax assets that are dependent upon future taxable income, the amount of carryback potential the bank may consider as being available for the realization of its deferred tax assets shall be limited to the amount which the bank could reasonably expect to have refunded by its parent.

Treatment of deferred tax assets relating to available-for-sale securities – In accordance with ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), available-for-sale securities are reported in the Reports of Condition and Income at fair value, with unrealized holding gains and losses on such securities, net of tax effects, included in a separate

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9.b
(cont.) component of equity capital. These tax effects may increase or decrease the reported amount of a bank's deferred tax assets. The federal banking agencies exclude from regulatory capital the amount of net unrealized holding gains and losses on available-for-sale securities (except net unrealized holding losses on available-for-sale equity securities with readily determinable fair values). When determining the regulatory capital limit for deferred tax assets, a bank may, but is not required to, adjust the amount of its deferred tax assets for any deferred tax assets and liabilities arising from marking-to-market available-for-sale debt securities for purposes of these reports. A bank must follow a consistent approach with respect to such adjustments.

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9.b Banks may use the following approach to determine the amount of disallowed deferred tax
(cont.) assets.

Disallowed Deferred Tax Assets Calculation

- (a) Enter the amount from Schedule RC-R, item 8 _____
- (b) Enter 10% of the amount in (a) above _____
- (c1) Enter the amount of deferred tax assets reported in
Schedule RC-F, item 2 _____
- (c2) Enter adjustments to the amount of deferred tax assets in
(c1) above for:
 - (1) the deferred tax effects of certain items reported in Schedule RC,
item 26.b, “Accumulated other comprehensive income” (AOCI),
that are excluded from regulatory capital (i.e., unrealized holding
gains and losses on available-for-sale debt securities, other-than-
temporary impairment losses on debt securities, and defined
benefit postretirement plan amounts reported in AOCI),¹ and
 - (2) any deferred tax liabilities the bank has netted against assets
deducted from Tier 1 capital² (i.e., disallowed mortgage and
nonmortgage servicing assets, intangible assets acquired in
nontaxable business combinations, goodwill acquired in taxable
business combinations, disallowed credit-enhancing interest-
only strips, and deducted nonfinancial equity investments) _____
- (c3) Subtotal: (c1) plus or minus (c2), as appropriate _____
- (d) Enter the amount of taxes previously paid that the bank could
recover through loss carrybacks if the bank’s temporary differences
(both deductible and taxable) fully reverse at the report date _____
- (e) Amount of deferred tax assets that is dependent upon future
taxable income: subtract (d) from (c3); enter 0 if the result is a
negative amount _____
- (f) Enter the portion of (e) that the bank could realize within the next
12 months based on the estimated taxes payable on its projected
future taxable income. Future taxable income should not include
net operating loss carryforwards to be used during the next
12 months or existing temporary differences that are expected to
reverse over the next 12 months. _____
- (g) Enter the lesser of (b) and (f) _____
- (h) Disallowed net deferred tax assets - subtract (g) from (e);
enter 0 if the result is a negative amount =====

¹ A bank may, but is not required to, adjust for these deferred tax effects, but must follow a consistent approach over time with respect to these adjustments.

² Any deferred tax liability netted in this manner cannot also be netted against deferred tax assets when determining the amount of deferred tax assets dependent upon future taxable income and the disallowed amount of deferred tax assets, if any, for regulatory capital purposes.

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- 10** **Other additions to (deductions from) Tier 1 capital.** Report the amount of any additions to or deductions from Tier 1 capital based on the capital guidelines of the reporting bank's primary federal supervisory authority that are not included in Schedule RC-R, items 1 through 9.b, above. If the amount to be reported in this item is a net deduction, enclose the amount in parentheses.

For example, include the portion of credit-enhancing interest-only strips included in the bank's total assets that **does not** qualify for inclusion in Tier 1 capital based on the capital guidelines

Balance Sheet Asset Categories (cont.)

Allocated Transfer Risk Reserve (ATRR) – If the reporting bank is required to establish and maintain an ATRR as specified in Section 905(a) of the International Lending Supervision Act of 1983, the ATRR should be reported in Schedule RC-R, item 61. The ATRR is not eligible for inclusion in either Tier 1 or Tier 2 capital.

Any ATRR related to loans and leases held for investment is included on the balance sheet in Schedule RC, item 4.c., "Allowance for loan and lease losses," and separately disclosed in Schedule RI-B, part II, Memorandum item 1. However, if the bank must maintain an ATRR for any asset other than a loan or lease held for investment, the balance sheet category for that asset should be reported net of the ATRR on Schedule RC. In this situation, the ATRR should be reported as a negative number (i.e., in parentheses) in column B, "Items Not Subject to Risk-Weighting," of the corresponding asset category in Schedule RC-R, items 34 through 38, 41, and 42. The amount to be risk-weighted for this asset in column C, D, E, or F, as appropriate, would be its net carrying value plus the ATRR. For example, a bank has a held-to-maturity security issued by a foreign commercial company against which it has established an ATRR of \$20. The security, net of the ATRR, is included in Schedule RC, item 2.a, "Held-to-maturity securities," at \$80. The security should be included in Schedule RC-R, item 35, column A, at \$80. The bank should include \$(20) in Schedule RC-R, item 35, column B, and \$100 in item 35, column F.

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34 Cash and balances due from depository institutions. Report in column A the amount of cash and balances due from depository institutions reported in Schedule RC, sum of items 1.a and 1.b.

- *In column C—0% risk weight*, include the amount of currency and coin reported in Schedule RC, item 1.a; any balances due from Federal Reserve Banks reported in Schedule RC, item 1.b; any balances due from central banks in other OECD countries reported in Schedule RC, items 1.a and 1.b; and the insured portion of deposits in FDIC-insured depository institutions reported in Schedule RC, items 1.a and 1.b.
- *In column F—100% risk weight*, include balances due from non-OECD depository institutions with remaining maturities of over one year, all non-local currency claims on non-OECD central banks, and local currency claims on non-OECD central banks that exceed the local currency liability held by the bank.
- *In column D—20% risk weight*, include all other amounts that are not reported in column C or F.

If the reporting bank is the correspondent bank in a pass-through reserve balance relationship, report in column C the amount of its own reserves as well as those reserve balances actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions.

If the reporting bank is the respondent bank in a pass-through reserve balance relationship, report in column C the amount of the bank's reserve balances due from its correspondent bank that its correspondent has actually passed through to a Federal Reserve Bank on the reporting bank's behalf, i.e., for purposes of this item, treat these balances as balances due from a Federal Reserve Bank. This treatment differs from that required in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," which treats pass-through reserve balances held by a bank's correspondent as balances due from a depository institution as opposed to balances due from the Federal Reserve.

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34 If the reporting bank is a participant in an excess balance account at a Federal Reserve
(cont.) Bank, report in column C the bank's balance in this account.

35 **Held-to-maturity securities.** Report in column A the amortized cost of held-to-maturity
(HTM) securities reported in Schedule RC, item 2.a.

- *In column B*, include as a negative number the amortized cost of those mortgage-backed securities, asset-backed securities, and structured financial products reported in Schedule RC-B, item 4.a.(3), column A, "Other [residential mortgage] pass-through securities"; item 4.b.(2), column A, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies"; item 4.b.(3), column A, "All other residential MBS"; item 4.c.(1)(b), column A, "Other [commercial mortgage] pass-through securities"; item 4.c.(2)(b), column A, "All other commercial MBS"; item 5.a, column A, "Asset-backed securities"; and items 5.b.(1) through (3), column A, "Structured financial products," that are rated one category below investment grade, e.g., BB, and to which the bank applies the ratings-based approach.
- *In column C—0% risk weight*, include the amounts reported in Schedule RC-B, column A, for item 1, "U.S. Treasury securities," item 2.a, Securities "Issued by U.S. Government agencies," and item 4.a.(1), Residential mortgage pass-through securities "Guaranteed by GNMA." Also include the portions of Schedule RC-B, item 4.b.(1), column A, Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies," and items 4.c.(1)(a) and (2)(a), column A, "Commercial MBS," that represent the amortized cost of GNMA securities.
- *In column D—20% risk weight*, include the amounts reported in Schedule RC-B, column A, for item 2.b, Securities "Issued by U.S. Government-sponsored agencies," and item 4.a.(2), Residential mortgage pass-through securities "Issued by FNMA and FHLMC." Include the portion of Schedule RC-B, item 3, column A, "Securities issued by states and political subdivisions in the U.S.," that represents the amortized cost of general obligation securities, and the portions of Schedule RC-B, item 4.b.(1), column A, Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies," and items 4.c.(1)(a) and (2)(a), column A, "Commercial MBS," that represent the amortized cost of FHLMC and FNMA securities (excluding principal-only strips, which must be assigned a 100 percent risk weight). Also include the portion of Schedule RC-B, item 4.b.(2), column A, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," that represents the amortized cost of senior interests in such securities (excluding principal-only strips, which must be assigned a 100 percent risk weight). Also include the portions of Schedule RC-B, item 4.a.(3), column A, "Other [residential mortgage] pass-through securities," item 4.b.(2), column A, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," item 4.b.(3), column A, "All other residential MBS"; item 4.c.(1)(b), column A, "Other [commercial mortgage] pass-through securities"; item 4.c.(2)(b), column A, "All other commercial MBS"; item 5.a, column A, "Asset-backed securities"; and items 5.b.(1) through (3), column A, "Structured financial products," that represents the amortized cost of securities that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings (excluding principal-only strips, which must be assigned a 100 percent risk weight).

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- 35** (cont.)
- *In column E—50% risk weight*, include the portion of Schedule RC-B, item 3, column A, "Securities issued by states and political subdivisions in the U.S.," that represents the amortized cost of revenue obligation securities. Also include the portions of Schedule RC-B, item 4.a.(3), column A, "Other [residential mortgage] pass-through securities"; item 4.b.(2), column A, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," item 4.b.(3), column A, "All other residential MBS"; item 4.c.(1)(b), column A, "Other [commercial mortgage] pass-through securities"; item 4.c.(2)(b), column A, "All other commercial MBS"; item 5.a, column A, "Asset-backed securities"; and items 5.b.(1) through (3), column A, "Structured financial products," that represents the amortized cost of securities that are rated in the third highest investment grade, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings (excluding principal-only strips, which must be assigned a 100 percent risk weight).
 - *In column F—100% risk weight*, include the amortized cost of all other HTM securities reported in Schedule RC, item 2.a, that are not included in columns C through E. However, for those mortgage-backed securities, asset-backed securities, and structured financial products reported in Schedule RC-B, item 4.a.(3), column A, "Other [residential mortgage] pass-through securities"; item 4.b.(2), column A, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies"; item 4.b.(3), column A, "All other residential MBS"; item 4.c.(1)(b), column A, "Other [commercial mortgage] pass-through securities"; item 4.c.(2)(b), column A, "All other commercial MBS"; item 5.a, column A, "Asset-backed securities"; and items 5.b.(1) through (3), column A, "Structured financial products," that are rated one category below investment grade, e.g., BB, and to which the bank applies the ratings-based approach, include in column F the amortized cost of these securities multiplied by 2.
- 36** **Available-for-sale securities.** Report in column A the fair value of available-for-sale (AFS) securities reported in Schedule RC, item 2.b. For regulatory capital purposes, however, AFS debt securities are risk weighted at their amortized cost. In addition, when AFS equity securities with readily determinable fair values have a net unrealized loss, they are risk weighted at their fair value. When such equity securities have a net unrealized gain, they are risk weighted at their historical cost plus the portion of the unrealized gain (up to 45 percent) included in Tier 2 capital. This unrealized gain is reported in Schedule RC-R, item 15.
- *In column B*, include the difference between the fair value and amortized cost of AFS debt securities. This difference equals Schedule RC-B, items 1 through 6, column D, minus items 1 through 6, column C. When fair value exceeds cost, report the difference as a positive number in Schedule RC-R, item 36, column B. When cost exceeds fair value, report the difference as a negative number (i.e., in parentheses) in Schedule RC-R, item 36, column B. If AFS equity securities with readily determinable fair values have a net unrealized gain (i.e., Schedule RC-B, item 7, column D, exceeds item 7, column C), the portion of the net unrealized gain (55 percent or more) not included in Tier 2 capital should be included in Schedule RC-R, item 36, column B. The portion that is not included in Tier 2 capital equals Schedule RC-B, item 7, column D minus column C, minus Schedule RC-R, item 15.
 - Also include *in column B* as a negative number the amortized cost of those mortgage-backed securities, asset-backed securities, and structured financial products reported in Schedule RC-B, item 4.a.(3), column C, "Other [residential mortgage] pass-through securities"; item 4.b.(2), column C, Other residential mortgage-backed securities

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(cont.)

"Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies"; item 4.b.(3), column C, "All other residential MBS"; item 4.c.(1)(b), column C, "Other [commercial mortgage] pass-through securities"; item 4.c.(2)(b), column C, "All other commercial MBS"; item 5.a, column C, "Asset-backed securities"; and items 5.b.(1) through (3), column C, "Structured financial products," that are rated one category below investment grade, e.g., BB, and to which the bank applies the ratings-based approach.

- *In column C—0% risk weight*, include the amounts reported in Schedule RC-B, column C, for item 1, "U.S. Treasury securities," item 2.a, Securities "Issued by U.S. Government agencies," and item 4.a.(1), Residential mortgage pass-through securities "Guaranteed by GNMA. Also include the portions of Schedule RC-B, item 4.b.(1), column C, Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies," and items 4.c.(1)(a) and (2)(a), column C, "Commercial MBS," that represent the amortized cost of GNMA securities.
- *In column D—20% risk weight*, include the amounts reported in Schedule RC-B, column C, for item 2.b, Securities "Issued by U.S. Government-sponsored agencies," and item 4.a.(2), Residential mortgage pass-through securities "Issued by FNMA and FHLMC." Include the portion of Schedule RC-B, item 3, column C, "Securities issued by states and political subdivisions in the U.S.," that represents the amortized cost of general obligation securities, and the portions of Schedule RC-B, item 4.b.(1), column C, Other residential mortgage-backed securities "Issued or guaranteed by U.S. Government agencies or sponsored agencies," and items 4.c.(1)(a) and (2)(a), column C, "Commercial MBS," that represent the amortized cost of FHLMC and FNMA securities (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). Also include the portion of Schedule RC-B, item 4.b.(2), column C, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," that represents the amortized cost of senior interests in such securities (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight). Also include the portions of Schedule RC-B, item 4.a.(3), column C, "Other [residential mortgage] pass-through securities"; item 4.b.(2), column C, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies"; item 4.b.(3), column C, "All other residential MBS"; item 4.c.(1)(b), column C, "Other [commercial mortgage] pass-through securities"; item 4.c.(2)(b), column C, "All other commercial MBS"; item 5.a, column C, "Asset-backed securities"; and items 5.b.(1) through (3), column C, "Structured financial products," that represents the amortized cost of securities that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight).
- *In column E—50% risk weight*, include the portion of Schedule RC-B, item 3, column C, "Securities issued by states and political subdivisions in the U.S.," that represents the amortized cost of revenue obligation securities. Also include the portions of Schedule RC-B, item 4.a.(3), column C, "Other [residential mortgage] pass-through securities"; item 4.b.(2), column C, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies," item 4.b.(3), column C, "All other residential MBS"; item 4.c.(1)(b), column C, "Other [commercial mortgage] pass-through securities"; item 4.c.(2)(b), column C, "All other commercial MBS"; item 5.a, column C, "Asset-backed securities"; and items 5.b.(1) through (3), column C, "Structured financial products," that represents the amortized cost

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(cont.) of securities that are rated in the third highest investment grade, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings (excluding interest-only strips that are not credit-enhancing and principal-only strips, which must be assigned a 100 percent risk weight).

- *In column F—100% risk weight*, include the amortized cost of all other AFS debt securities reported in Schedule RC-B, column C, that are not included in columns B through E. However, for those mortgage-backed securities, asset-backed securities, and structured financial products reported in Schedule RC-B, item 4.a.(3), column C, "Other [residential mortgage] pass-through securities"; item 4.b.(2), column C, Other residential mortgage-backed securities "Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies"; item 4.b.(3), column C, "All other residential MBS"; item 4.c.(1)(b), column C, "Other [commercial mortgage] pass-through securities"; item 4.c.(2)(b), column C, "All other commercial MBS"; item 5.a, column C, "Asset-backed securities"; and items 5.b.(1) through (3), column C, "Structured financial products," that are rated one category below investment grade, e.g., BB, and to which the bank applies the ratings-based approach, include in column F the amortized cost of these securities multiplied by 2.

In addition, for 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 historical cost (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, item 15). (NOTE: Certain investments in mutual funds reported in Schedule RC-B, item 7, may qualify for less than a 100 percent risk weight. For further information, refer to the risk-based capital standards of the bank's primary federal supervisory authority.)

37 **Federal funds sold and securities purchased under agreements to resell.** Report in column A the amount of federal funds sold and securities purchased under agreements to resell reported in Schedule RC, sum of items 3.a and 3.b.

- *In column C—0% risk weight*, include the portion of Schedule RC, item 3, that is directly and unconditionally guaranteed by U.S. Government agencies or OECD central governments.
- *In column F—100% risk weight*, include claims on nondepository institution counterparties that lack qualifying collateral (refer to the risk based capital guidelines for specific criteria) and claims on non-OECD depository institutions with maturities of over one year
- *In column D—20% risk weight*, include the amount of federal funds sold and securities resale agreements reported in Schedule RC, item 3, that are not included in columns C and F.

38 **Loans and leases held for sale.** Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule RC, item 4.a.

- *In column C—0% risk weight*, include the carrying value of the guaranteed portion of HFS SBA loans purchased in the secondary market that are included in Schedule RC-C, part I, items 3, "Loans to finance agricultural production and other loans to farmers," and 4, "Commercial and industrial loans."

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- *In column D—20% risk weight*, include the carrying value of HFS loans to and acceptances of other depository institutions that are reported in Schedule RC-C, part I, item 2, (excluding the carrying value of any long-term claims on non-OECD banks that are HFS), plus the carrying value of the guaranteed portion of HFS FHA and VA mortgage loans included in Schedule RC-C, part I, item 1.c.(2)(a), the carrying value of the guaranteed portion of HFS SBA loans originated and held by the reporting bank included in Schedule RC-C, part I, items 3 and 4, and the carrying value of the portion of HFS student loans reinsured by the U.S. Department of Education included in Schedule RC-C, part I, item 6.d, "Other consumer loans."
 - *In column E—50% risk weight*, include the carrying value of HFS loans secured by 1-4 family residential properties and by multifamily residential properties included in Schedule RC-C, part I, items 1.c.(2)(a) and 1.d, respectively, that are prudently underwritten, are fully secured by first liens on 1-4 family or multifamily residential properties, are not 90 days or more past due or in nonaccrual status, and meet other requirements specified in the risk-based capital guidelines.
 - *In column F—100% risk weight*, include the carrying value of HFS loans reported in Schedule RC, item 4.a, that is not included in columns B through E.
- 39** **Loans and leases, net of unearned income.** Report in column A the amount of loans and leases, net of unearned income, reported in Schedule RC, item 4.b.
- *In column C—0% risk weight*, include the carrying value of the guaranteed portion of SBA loans purchased in the secondary market that are included in Schedule RC-C, part I, items 3, "Loans to finance agricultural production and other loans to farmers," and 4, "Commercial and industrial loans."
 - *In column D—20% risk weight*, include the carrying value of loans to and acceptances of other depository institutions that are reported in Schedule RC-C, part I, item 2, (excluding the carrying value of any long-term claims on non-OECD banks), plus the carrying value of the guaranteed portion of FHA and VA mortgage loans included in Schedule RC-C, part I, item 1.c.(2)(a), the carrying value of the guaranteed portion of SBA loans originated and held by the reporting bank included in Schedule RC-C, part I, items 3 and 4, and the carrying value of the portion of student loans reinsured by the U.S. Department of Education included in Schedule RC-C, part I, item 6.d, "Other consumer loans."
 - *In column E—50% risk weight*, include the carrying value of loans secured by 1-4 family residential properties and by multifamily residential properties included in Schedule RC-C, part I, items 1.c.(2)(a) and 1.d, respectively, that are prudently underwritten, are fully secured by first liens on 1-4 family or multifamily residential properties, are not 90 days or more past due or in nonaccrual status, and meet other requirements specified in the risk-based capital guidelines.
 - *In column F—100% risk weight*, include the carrying value of loans reported in Schedule RC, item 4.b, that is not included in columns B through E.
- 40** **LESS: Allowance for loan and lease losses.** Report in columns A and B the balance of the allowance for loan and lease losses reported in Schedule RC, item 4.c.
- 41** **Trading assets.** Report in column A the fair value of trading assets reported in Schedule RC, item 5.

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(cont.)

If the bank has residual interests in asset securitizations that are eligible for the ratings-based approach, report the difference between these residuals' fair value carrying amount and their amortized cost in column B as a positive number if fair value exceeds cost and as a negative number (i.e., in parentheses) if cost exceeds fair value. Also, include *in column B* as a negative number the amortized cost of any residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, that are rated one category below investment grade, e.g., BB.

- *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, items 34 through 41); prepaid deposit insurance assessments included in Schedule RC-F, item 6; and 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.
- *In column D—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 D of Schedule RC-R, items 34 through 41); and the portion of customers' acceptance liability reported in Schedule RC, item 11, that has been participated to other depository institutions. Also include the amortized cost of residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, that are rated in the highest or second highest investment grade, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings.
- *In column E—50% risk weight*, include accrued interest receivable on assets included in the 50 percent risk weight category (column E of Schedule RC-R, items 34 through 41). Also include the amortized cost of residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, that are rated in the third highest investment grade, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings.
- *In column F—100% risk weight*, include the amount of all other assets reported in column A that is not included in columns B through E. However, for residual interests in asset securitizations (other than credit-enhancing interest-only strips) included in Schedule RC, item 11, include the amortized cost of those that are rated in the lowest investment grade category, e.g., BBB, and the amortized cost multiplied by 2 of those that are rated one category below investment grade, e.g., BB.

43 **Total assets.** For columns A through F, report the sum of items 34 through 42. The sum of columns B through F must equal column A.

Derivatives and Off-Balance Sheet Items

Banks should refer to the supervisory guidance issued by their primary federal supervisory authority for information on how they should treat credit derivatives for risk-based capital purposes and, as a consequence, for purposes of completing the section of Schedule RC-R for derivatives and off-balance sheet items.

Treatment of Liquidity Facilities for Asset-Backed Commercial Paper Programs – Banks that provide liquidity facilities to asset-backed commercial paper (ABCP) programs, whether or not they are the program sponsor, must report these facilities in the following manner in Schedule RC-R (unless the bank is a sponsor and consolidates the sponsored ABCP program assets onto its balance sheet).¹ The full amount of the unused portion of an *eligible* liquidity facility with an original maturity exceeding one year should be reported in item 53.a, column A. The full amount of the unused portion of an *eligible* liquidity facility with an original maturity of one year or less should be reported in item 53.b, column A. For *ineligible* liquidity facilities (both direct credit substitutes and recourse obligations), banks should report the full amount of the unused portion of the facility in Schedule RC-R, item 51, column A.

Item No. Caption and Instructions

44 **Financial standby letters of credit.** For financial standby letters of credit reported in Schedule RC-L, item 2, that act as credit enhancements for asset-backed or mortgage-backed securities and to which the ratings-based approach applies, report *in column A*:

- (1) the amount outstanding and unused of those letters of credit subject to a risk weight of 100% or less and
- (2) two times the amount outstanding and unused of those letters of credit subject to a 200% risk weight.

For these financial standby letters of credit, report *in column B* 100% of the amount reported in column A.

For all other financial standby letters of credit reported in Schedule RC-L, item 2, report *in column A*:

- (1) the amount outstanding and unused of those letters of credit for which this amount is less than the effective risk-based capital requirement for the assets that are credit-enhanced by the letter of credit. These financial standby letters of credit are subject to the low-level exposure rule. For these financial standby letters of credit, report as the credit equivalent amount *in column B* their amount outstanding and unused multiplied by either 12.5 or by the institution-specific factor determined in the manner described in the instructions for Schedule RC-R, item 50.
 - (2) the full amount of the assets that are credit-enhanced by those letters of credit that are not subject to the low-level exposure rule. For these financial standby letters of credit, report *in column B* 100% of the amount reported in column A.
- *In column D—20% risk weight*, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule RC-L, item 2, that has been

¹ For further guidance on eligible and ineligible liquidity facilities, banks should refer to the “Interagency Guidance on the Eligibility of Asset-Backed Commercial Paper Liquidity Facilities and the Resulting Risk-Based Capital Treatment” issued August 4, 2005 (FDIC Financial Institution Letter 74-2005, Federal Reserve Supervision and Regulation Letter 05-13, and OCC Bulletin 2005-26).

<u>Item No.</u>	<u>Caption and Instructions</u>
44 (cont.)	<p>conveyed to U.S. and other OECD depository institutions (and to non-OECD depository institutions for letters of credit with remaining maturities of one year or less). Also include in column D the credit equivalent amount of financial standby letters of credit to which the ratings-based approach applies that are rated in the highest or second highest investment grade category, e.g., AAA or AA, in the case of long-term ratings, or in the highest rating category, e.g., A-1 or P-1, in the case of short-term ratings.</p> <ul style="list-style-type: none"> • <i>In column E—50% risk weight</i>, include the credit equivalent amount of financial standby letters of credit to which the ratings-based approach applies that are rated in the third highest investment grade category, e.g., A, in the case of long-term ratings, or in the second highest rating category, e.g., A-2 or P-2, in the case of short-term ratings. • <i>In column F—100% risk weight</i>, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.
45	<p><u>Performance standby letters of credit.</u> Report in column A the face amount of performance standby letters of credit reported in Schedule RC-L, item 3.</p> <ul style="list-style-type: none"> • <i>In column B</i>, report 50 percent of the face amount reported in column A. • <i>In column D—20% risk weight</i>, include the credit equivalent amount of the portion of performance standby letters of credit reported in Schedule RC-L, item 3, that has been conveyed to U.S. and other OECD depository institutions (and to non-OECD depository institutions for letters of credit with remaining maturities of one year or less). • <i>In column F—100% risk weight</i>, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.
46	<p><u>Commercial and similar letters of credit.</u> Report in column A the face amount of commercial and similar letters of credit reported in Schedule RC-L, item 4.</p> <ul style="list-style-type: none"> • <i>In column B</i>, report 20 percent of the face amount reported in column A. • <i>In column F—100% risk weight</i>, include the portion of the credit equivalent amount reported in column B that is not included in columns C through E.
47	<p><u>Risk participations in bankers acceptances acquired by the reporting institution.</u> Report in column A the face amount of risk participations in bankers acceptances that have been acquired by the reporting institution and are outstanding.</p> <ul style="list-style-type: none"> • <i>In column B</i>, report 100 percent of the face amount reported in column A. • <i>In column D—20% risk weight</i>, include the credit equivalent amount of the portion of risk participations in bankers acceptances that the reporting bank has acquired and subsequently conveyed to U.S. and other OECD depository institutions (and to non-OECD depository institutions for bankers acceptances with remaining maturities of one year or less). • <i>In column F—100% risk weight</i>, include the portion of the credit equivalent amount reported in column B that is not included in columns C and D.

Item No. **Caption and Instructions**

48 **Securities lent.** Report in column A the amount of securities lent reported in Schedule RC-L, item 6.

- *In column B*, report 100 percent of the face amount reported in column A.
- *In column C—0% risk weight*, include the credit equivalent amount of securities lent that is supported by the appropriate amount of collateral that qualifies for the zero percent risk weight under the risk based capital guidelines of the reporting bank's primary federal supervisory authority (refer to these guidelines for the specific qualifying criteria).
- *In column D—20% risk weight*, include the credit equivalent amount of securities lent that is supported by the appropriate amount of collateral that qualifies for the 20 percent risk weight under the risk based capital guidelines of the reporting bank's primary federal supervisory authority (refer to these guidelines for specific qualifying criteria). Also include the credit equivalent amount of securities lent that represents claims on U.S. and other OECD depository institutions (and claims on non-OECD depository institutions for securities lent with remaining maturities of one year or less).

Depository Institutions in the U.S. (cont.):

- (3) U.S.-domiciled head offices and branches of other depository institutions in the U.S., i.e.,
 - (a) mutual or stock savings banks,
 - (b) savings or building and loan associations,
 - (c) cooperative banks,
 - (d) credit unions,
 - (e) homestead associations,
 - (f) other similar depository institutions in the U.S., and
 - (g) International Banking Facilities (IBFs) of other depository institutions in the U.S.

Deposits: The basic statutory and regulatory definitions of "deposits" are contained in Section 3(*ℓ*) of the Federal Deposit Insurance Act (FDI Act) and in Federal Reserve Regulation D. The definitions in these two legal sources differ in certain respects. Furthermore, for purposes of these reports, the reporting standards for deposits specified in these instructions do not strictly follow the precise legal definitions in these two sources. The definitions of deposits to be reported in the deposit items of the Reports of Condition and Income are discussed below under the following headings:

- (I) FDI Act definition of deposits.
- (II) Transaction-nontransaction deposit distinction.
- (III) Interest-bearing-noninterest-bearing deposit distinction.

(I) FDI Act definition of deposits – Section 3(*ℓ*) states that the term "deposit" means –

- (1) the unpaid balance of money or its equivalent received or held by a bank or savings association in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank or savings association, or a letter of credit or a traveler's check on which the bank or savings association is primarily liable: Provided, That, without limiting the generality of the term "money or its equivalent", any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank or savings association for collection,
- (2) trust funds as defined in this Act received or held by such bank or savings association, whether held in the trust department or held or deposited in any other department of such bank or savings association,
- (3) money received or held by a bank or savings association, or the credit given for money or its equivalent received or held by a bank or savings association, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including without being limited to, escrow funds, funds held as security for an obligation due to the bank or savings association or others (including funds held as dealers reserves) or for securities loaned by the bank or savings association, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States Government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes: Provided, That there shall not be included funds which are received by the bank or savings association for immediate application to the reduction of an indebtedness to the receiving bank or savings association, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness,

Deposits (cont.):

- (4) outstanding draft (including advice or authorization to charge a bank's or a savings association's balance in another bank or savings association), cashier's check, money order, or other officer's check issued in the usual course of business for any purpose, including without being limited to those issued in payment for services, dividends, or purchases, and
- (5) such other obligations of a bank or savings association as the Board of Directors [of the Federal Deposit Insurance Corporation], after consultation with the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage, except that the following shall not be a deposit for any of the purposes of this Act or be included as part of the total deposits or of an insured deposit:
 - (A) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of any State, unless –
 - (i) such obligation would be a deposit if it were carried on the books and records of the depository institution, and would be payable at, an office located in any State; and
 - (ii) the contract evidencing the obligation provides by express terms, and not by implication, for payment at an office of the depository institution located in any State; and
 - (B) any international banking facility deposit, including an international banking facility time deposit, as such term is from time to time defined by the Board of Governors of the Federal Reserve System in regulation D or any successor regulation issued by the Board of Governors of the Federal Reserve System; and
 - (C) any liability of an insured depository institution that arises under an annuity contract, the income of which is tax deferred under section 72 of the Internal Revenue Code of 1986.
- (II) Transaction-nontransaction deposit distinction – The Monetary Control Act of 1980 and the current Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions," establish, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." All deposits that are not transaction accounts are "nontransaction accounts."
- (1) Transaction accounts – With the exceptions noted below, a "transaction account," as defined in Regulation D and in these instructions, is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Excluded from transaction accounts are savings deposits (both money market deposit accounts (MMDAs) and other savings deposits) as defined below in the nontransaction account category, even though such deposits permit some third-party transfers. However, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the transfer limitations specified for that account shall be reported as a transaction account. (Please refer to the definition of savings deposits for further detail.)

Deposits (cont.):

NOTE: Under the Federal Reserve's current Regulation D, no transaction account, regardless of its other characteristics, is classified either as a savings deposit or as a time deposit. Thus, those transaction accounts that are not demand deposits – NOW accounts, ATS (Automatic Transfer Service) accounts, and telephone and preauthorized transfer accounts – are excluded from Regulation D time and savings deposits. For all items in the Reports of Condition and Income involving time or savings deposits, a strict distinction, based on Regulation D definitions, is to be maintained between transaction accounts and time and savings accounts.

Transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts; (c) ATS accounts; and (d) telephone and preauthorized transfer accounts, all as defined below. Interest that is paid by the crediting of transaction accounts is also included in transaction accounts.

- (a) Demand deposits are deposits that are payable immediately on demand, or that are issued with an original maturity or required notice period of less than seven days, or that represent funds for which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal. Demand deposits include any matured time deposits without automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account. Effective July 21, 2011, demand deposits may be interest-bearing or noninterest-bearing. Demand deposits do not include: (i) money market deposit accounts (MMDAs) or (ii) NOW accounts, as defined below in this entry.
- (b) NOW accounts are interest-bearing deposits (i) on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and (ii) that can be withdrawn or transferred to third parties by issuance of a negotiable or transferable instrument.

NOW accounts, as authorized by federal law, are limited to accounts held by:

- (i) Individuals or sole proprietorships;
- (ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are not operated for profit. These include organizations, partnerships, corporations, or associations that are not organized for profit and are described in section 501(c)(3) through (13) and (19) and section 528 of the Internal Revenue Code, such as church organizations; professional associations; trade associations; labor unions; fraternities, sororities and similar social organizations; and nonprofit recreational clubs; or
- (iii) Governmental units including the federal government and its agencies and instrumentalities; state governments; county and municipal governments and their political subdivisions; the District of Columbia; the Commonwealth of Puerto Rico, American Samoa, Guam, and any territory or possession of the United States and their political subdivisions.

Also included are the balances of all NOW accounts of certain other nonprofit organizations that may not fall within the above description but that had established NOW accounts with the reporting institution prior to September 1, 1981.

Deposits (cont.):

NOTE: There are no regulatory requirements with respect to minimum balances to be maintained in a NOW account or to the amount of interest that may be paid on a NOW account.

- (c) ATS accounts are deposits or accounts of individuals or sole proprietorships on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and from which, pursuant to written agreement arranged in advance between the reporting institution and the depositor, withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts.

Some institutions may have entered into agreements with their customers providing that in the event the customer should overdraw a demand deposit (checking) or NOW account, the institution will transfer from that customer's savings account an amount sufficient to cover the overdraft. The availability of the overdraft protection plan would not in and of itself require that such a savings account be regarded as a transaction account provided that the overall transfer and withdrawal restrictions of a savings deposit are not exceeded. Please refer to the definition of savings deposit for further detail.

- (d) Telephone or preauthorized transfer accounts consist of deposits or accounts, other than savings deposits, (1) in which the entire beneficial interest is held by a party eligible to hold a NOW account, (2) on which the reporting institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account, and (3) under the terms of which, or by practice of the reporting institution, the depositor is permitted or authorized to make more than six withdrawals per month or statement cycle (or similar period) of at least four weeks for purposes of transferring funds to another account of the depositor at the same institution (including a transaction account) or for making payment to a third party by means of preauthorized transfer, or telephonic (including data transmission) agreement, order or instruction. An account that permits or authorizes more than six such withdrawals in a "month" (a calendar month or any period approximating a month that is at least four weeks long, such as a statement cycle) is a transaction account whether or not more than six such withdrawals actually are made in the "month."

A "preauthorized transfer" includes any arrangement by the reporting institution to pay a third party from the account of a depositor (1) upon written or oral instruction (including an order received through an automated clearing house (ACH)), or (2) at a predetermined time or on a fixed schedule.

Telephone and preauthorized transfer accounts also include:

- (i) Deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to third parties or others, or to another deposit account of the depositor.

Deposits (cont.):

- (b) If the depository institution's general ledger is not sufficiently disaggregated, the distinction may be reflected in supplemental records or systems, but only if such supplemental records or systems constitute official books and records of the institution and are subject to the same prudent managerial oversight and controls as the general ledger.

A retail sweep program may not exist solely in records or on systems that do not constitute official books and records of the depository institution and that are not used for any purpose other than generating its *Report of Transaction Accounts, Other Deposits and Vault Cash* (FR 2900) for submission to the Federal Reserve; and

- (3) The maximum number of preauthorized or automatic funds transfers ("sweeps") out of a savings deposit account and into a transaction account in a retail sweep program is limited to not more than six per month. Transfers out of the transaction account and into the savings deposit account may be unlimited in number.

If any of the three criteria is not met, all swept funds must continue to be reported as transaction accounts, both for purposes of these reports and of FR 2900 deposit reports. All three criteria must be met in order to report the nontransaction account component of a retail sweep program as a nonreservable savings deposit account.

Further, for purposes of the Reports of Condition and Income, if all three of the criteria above are met, a bank must report the transaction account and nontransaction account components of a retail sweep program separately when it reports its quarter-end deposit information in Schedules RC, RC-E, and RC-O; its quarterly averages in Schedule RC-K; and its interest expense (if any) in Schedule RI. Thus, when reporting quarterly averages in Schedule RC-K, a bank should include the amounts held in the transaction account (if interest-bearing) and the nontransaction savings account components of retail sweep arrangements each day or each week in the appropriate separate items for average deposits. In addition, if the bank pays interest on accounts involved in retail sweep arrangements, the interest expense reported in Schedule RI should be allocated between the transaction account and the nontransaction (savings) account based on the balances in these accounts during the reporting period.

For additional information, refer to the Federal Reserve Board staff guidance relating to the requirements for a retail sweep program under Regulation D at <http://www.federalreserve.gov/boarddocs/legalint/FederalReserveAct/2007/20070501/20070501.pdf>.

(III) Interest-bearing-noninterest-bearing deposit distinction –

- (a) Interest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. Such compensation may be in the form of cash, merchandise, or property or as a credit to an account. An institution's absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest.

Deposits with a zero percent interest rate that are issued on a discount basis are to be treated as interest-bearing. Deposit accounts on which the interest rate is periodically adjusted in response to changes in market interest rates and other factors should be reported as interest-bearing even if the rate has been reduced to zero, provided the interest rate on these accounts can be increased as market conditions change.

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Deposits (cont.):

- (b) Noninterest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution makes no payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. An institution's absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest.

Noninterest-bearing deposit accounts include (i) matured time deposits that are not automatically renewable (unless the deposit agreement provides for the funds to be transferred at maturity to another type of account) and (ii) deposits with a zero percent stated interest rate that are issued at face value.

See also "brokered deposits" and "hypothecated deposits."

Examples Illustrating Distinctions Between
MONEY MARKET DEPOSIT ACCOUNTS (MMDAs) and OTHER SAVINGS DEPOSITS

Example 1

A savings deposit account permits no transfers of any type to other accounts or to third parties. Report this account as an other savings deposit.

Example 2

A savings deposit permits up to six, but no more than six, "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties. None of the third-party payments may be made by check, draft, or similar order (including debit card).

Report this account as an other savings deposit.

Example 3

A savings deposit permits no more than six "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties. Up to three, but no more than three, of the six transfers may be by check, draft, debit card or similar order made by the depositor and payable to third parties.

Report this account as an MMDA.

Example 4

A savings deposit permits up to three, but no more than three, "preauthorized, automatic, or telephonic" transfers to other accounts or to third parties, any or all which may be by check, draft, debit card or similar order made by the depositor and payable to third parties.

Report this account as an MMDA.

Derivative Contracts: Banks commonly use derivative instruments for managing (positioning or hedging) their exposure to market risk (including interest rate risk and foreign exchange risk), cash flow risk, and other risks in their operations and for trading. The accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities are set forth in ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), which banks must follow for purposes of these reports. ASC Topic 815 requires all derivatives to be recognized on the balance sheet as either assets or liabilities at their fair value. A summary of the principal provisions of ASC Topic 815 follows. For further information, see ASC Topic 815, which includes the implementation guidance issued by the FASB's Derivatives Implementation Group.

Derivative Contracts (cont.):Definition of Derivative

ASC Topic 815 defines a "derivative instrument" as a financial instrument or other contract with all three of the following characteristics:

- (1) It has one or more underlyings (i.e., specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable) and one or more notional amounts (i.e., number of currency units, shares, bushels, pounds, or other units specified in the contract) or payment provisions or both. These terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.
- (2) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar response to changes in market factors.
- (3) Its terms require or permit net settlement, it can be readily settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Certain contracts that may meet the definition of a derivative are specifically excluded from the scope of ASC Topic 815, including:

- "regular-way" securities trades, which are trades that are completed within the time period generally established by regulations and conventions in the marketplace or by the exchange on which the trade is executed;
- normal purchases and sales of an item other than a financial instrument or derivative instrument (e.g., a commodity) that will be delivered in quantities expected to be used or sold by the reporting entity over a reasonable period in the normal course of business;
- traditional life insurance and property and casualty contracts; and
- certain financial guarantee contracts.

ASC Topic 815 has special criteria for determining whether commitments to originate loans meet the definition of a derivative. Commitments to originate mortgage loans that will be held for sale are accounted for as derivatives. Commitments to originate mortgage loans that will be held for investment are not accounted for as derivatives. Also, all commitments to originate loans other than mortgage loans are not accounted for as derivatives. Commitments to purchase loans must be evaluated to determine whether the commitment meets the definition of a derivative under ASC Topic 815.

Types of Derivatives

The most common types of freestanding derivatives are forwards, futures, swaps, options, caps, floors, and collars.

Forward contracts are agreements that obligate two parties to purchase (long) and sell (short) a specific financial instrument, foreign currency, or commodity at a specified price with delivery and settlement at a specified future date.

Dividends (cont.):

the declaration date of the dividend. A gain or loss on the transferred asset must be recognized in the same manner as if the property had been disposed of in an outright sale at or near the declaration date. In those instances where a bank transfers bank premises to a parent holding company in the form of a property dividend and the parent immediately enters into a sale-leaseback transaction with a third party, the gain must be deferred by the bank and amortized over the life of the lease.

Domestic Office: For purposes of these reports, a domestic office of the reporting bank is a branch or consolidated subsidiary (other than an Edge or Agreement subsidiary) located in the 50 states of the United States or the District of Columbia or a branch on a U.S. military facility wherever located. However, if the reporting bank is chartered and headquartered in Puerto Rico or a U.S. territory or possession, a branch or consolidated subsidiary located in the 50 states of the United States, the District of Columbia, Puerto Rico, or a U.S. territory or possession is a domestic office. The domestic offices of the reporting bank exclude all International Banking Facilities (IBFs); all offices of Edge and Agreement subsidiaries, including their U.S. offices; and all branches and other consolidated subsidiaries of the bank located in foreign countries.

Domicile: Domicile is used to determine the foreign (non-U.S. addressee) or domestic (U.S. addressee) status of a customer of the reporting bank for the purposes of these reports. Domicile is determined by the principal residence address of an individual or the principal business address of a corporation, partnership, or sole proprietorship. If other addresses are used for correspondence or other purposes, only the principal address, insofar as it is known to the reporting bank, should be used in determining whether a customer should be regarded as a U.S. or non-U.S. addressee.

For purposes of defining customers of the reporting bank, U.S. addressees include residents of the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. Non-U.S. addressees includes residents of any foreign country. The term non-U.S. addressee generally includes foreign-based subsidiaries of other U.S. banks.

For customer identification purposes, the IBFs of other U.S. depository institutions are U.S. addressees. (This is in contrast to the treatment of the IBFs of the reporting bank, which are treated as foreign offices of the reporting bank.)

Due Bills: A due bill is an obligation that results when a bank sells an asset and receives payment, but does not deliver the security or other asset. A due bill can also result from a promise to deliver an asset in exchange for value received. In both cases, the receipt of the payment creates an obligation regardless of whether the due bill is issued in written form. Outstanding due bill obligations shall be reported as borrowings in Schedule RC, item 16, "Other borrowed money," by the issuing bank. Conversely, when the reporting bank is the holder of a due bill, the outstanding due bill obligation of the seller shall be reported as a loan to that party.

Edge and Agreement Corporation: An Edge corporation is a federally-chartered corporation organized under Section 25(a) of the Federal Reserve Act and subject to Federal Reserve Regulation K. Edge corporations are allowed to engage only in international banking or other financial transactions related to international business.

An Agreement corporation is a state-chartered corporation that has agreed to operate as if it were organized under Section 25 of the Federal Reserve Act and has agreed to be subject to Federal Reserve Regulation K. Agreement corporations are restricted, in general, to international banking operations. Banks must apply to the Federal Reserve for permission to acquire stock in an Agreement corporation.

A reporting bank's Edge or Agreement subsidiary, i.e., the bank's majority-owned Edge or Agreement corporation, is treated for purposes of these reports as a "foreign" office of the reporting bank.

Equity-Indexed Certificates of Deposit: Under ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), a certificate of deposit that pays "interest" based on changes in an equity securities index is a hybrid instrument with an embedded derivative that must be accounted for separately from the host contract, i.e., the certificate of deposit. For further information, see the Glossary entry for "Derivative Contracts." Examples of equity-indexed certificates of deposit include the "Index Powered® CD" and the "Dow Jones Industrials Indexed Certificate of Deposit."

At the maturity date of a typical equity-indexed certificate of deposit, the holder of the certificate of deposit receives the original amount invested in the deposit plus some or all of the appreciation, if any, in an index of stock prices over the term of the certificate of deposit. Thus, the equity-indexed certificate of deposit contains an embedded equity call option. To manage the market risk of its equity-indexed certificates of deposit, a bank that issues these deposits normally enters into one or more separate freestanding equity derivative contracts with an overall term that matches the term of the certificates of deposit. At maturity, these separate derivatives are expected to provide the bank with a cash payment in an amount equal to the amount of appreciation, if any, in the same stock price index that is embedded in the certificates of deposit, thereby providing the bank with the funds to pay the "interest" on the equity-indexed certificates of deposit. During the term of the separate freestanding equity derivative contracts, the bank will periodically make either fixed or variable payments to the counterparty on these contracts.

When a bank issues an equity-indexed certificate of deposit, it must either account for the written equity call option embedded in the deposit separately from the certificate of deposit host contract or irrevocably elect to account for the hybrid instrument (the equity-indexed certificate of deposit) in its entirety at fair value.

- If the bank accounts for the written equity call option separately from the certificate of deposit, the fair value of this embedded derivative on the date the certificate of deposit is issued must be deducted from the amount the purchaser invested in the deposit, creating a discount on the certificate of deposit that must be amortized to interest expense over the term of the deposit using the effective interest method. This interest expense should be reported in the income statement in the appropriate subitem of Schedule RI, item 2.a, "Interest on deposits." The equity call option must be "marked to market" at least quarterly with any changes in the fair value of the option recognized in earnings. On the balance sheet, the carrying value of the certificate of deposit host contract and the fair value of the embedded equity derivative may be combined and reported together as a deposit liability on the balance sheet (Schedule RC) and in the deposit schedule (Schedule RC-E).
- If the bank elects to account for the equity-indexed certificate of deposit in its entirety at fair value, no discount is to be recorded on the certificate of deposit. Rather, the equity-indexed certificate of deposit must be "marked to market" at least quarterly, with changes in the instrument's fair value reported in the income statement consistently in either item 5.l, "Other noninterest income," or item 7.d, "Other noninterest expense", excluding interest expense incurred that is reported in the appropriate subitem of Schedule RI, item 2.a, "Interest on deposits."

As for the separate freestanding derivative contracts the bank enters into to manage its market risk, these derivatives must be carried on the balance sheet as assets or liabilities at fair value and "marked to market" at least quarterly with changes in their fair value recognized in earnings. The fair value of the freestanding derivatives should not be netted against the fair value of the embedded equity derivatives for balance sheet purposes because these two derivatives have different counterparties. The periodic payments to the counterparty on these freestanding derivatives must be accrued with the expense reported in earnings along with the change in the derivative's fair value. In the income statement (Schedule RI), the changes in the fair value of the embedded and freestanding derivatives, including the effect of the accruals for the payments to the counterparty on the freestanding derivatives, should be netted and reported consistently in either item 5.l, "Other noninterest income," or item 7.d, "Other noninterest expense."

Equity-Indexed Certificates of Deposit (cont.):

Unless the bank elects to account for the equity-indexed certificate of deposit in its entirety at fair value, the notional amount of the embedded equity call option must be reported in Schedule RC-L, item 12.d.(1), column C, and item 14, column C, and its fair value (which will always be negative or zero, but not positive) must be reported in Schedule RC-L, item 15.b.(2), column C. The notional amount of the freestanding equity derivative must be reported in the appropriate subitem of Schedule RC-L, item 12, column C (e.g., item 12.e, column C, if it is an equity swap), and in Schedule RC-L, item 14, column C. The fair value of the freestanding equity derivative must be included in the appropriate subitem of Schedule RC-L, item 15.b, column C. The equity derivative embedded in the equity-indexed certificate of deposit is a written option, which is not covered by the agencies' risk-based capital standards. However, the freestanding equity derivative is covered by these standards.

For deposit insurance assessment purposes, if the carrying value of the certificate of deposit host contract and the fair value of the embedded equity derivative are combined and reported together as a deposit liability on the balance sheet, the difference between these combined amounts and the face amount of the certificate of deposit should be treated as an unamortized premium or discount, as appropriate, for purposes of reporting total deposit liabilities in Schedule RC-O, item 1. If these two amounts are not combined and only the carrying value of the certificate of deposit host contract is reported as a deposit liability on the balance sheet, the difference between the carrying value and the face amount of the certificate of deposit should be treated as an unamortized discount in Schedule RC-O, item 1. If the bank elects to account for the equity-indexed certificate of deposit in its entirety at fair value, the difference between the fair value and the face amount of the certificate of deposit should be treated as an unamortized premium or discount, as appropriate, in Schedule RC-O, item 1.

A bank that purchases an equity-indexed certificate of deposit for investment purposes must either account for the embedded purchased equity call option separately from the certificate of deposit host contract or irrevocably elect to account for the hybrid instrument (the equity-indexed certificate of deposit) in its entirety at fair value.

- If the bank accounts for the purchased equity call option separately from the certificate of deposit, the fair value of this embedded derivative on the date of purchase must be deducted from the purchase price of the certificate, creating a discount on the deposit that must be accreted into income over the term of the deposit using the effective interest method. This accretion should be reported in the income statement in Schedule RI, item 1.c. The embedded equity derivative must be "marked to market" at least quarterly with any changes in its fair value recognized in earnings. These fair value changes should be reported consistently in Schedule RI in either item 5.I, "Other noninterest income," or item 7.d, "Other noninterest expense." The carrying value of the certificate of deposit host contract and the fair value of the embedded equity derivative may be combined and reported together as interest-bearing balances due from other depository institutions on the balance sheet in Schedule RC, item 1.b.
- If the bank elects to account for the equity-indexed certificate of deposit in its entirety at fair value, no discount is to be recorded on the certificate of deposit. Rather, the equity-indexed certificate of deposit must be "marked to market" at least quarterly, with changes in the instrument's fair value reported in the income statement consistently in either item 5.I, "Other noninterest income," or item 7.d, "Other noninterest expense," excluding interest income that is reported in Schedule RI, item 1.c.

Unless the bank elects to account for the equity-indexed certificate of deposit in its entirety at fair value, the notional amount of the embedded derivative must be reported in Schedule RC-L, item 12.d.(2), column C, and item 14, column C, and its fair value (which will always be positive or zero, but not negative) must be reported in Schedule RC-L, item 15.b.(1), column C. The embedded equity derivative in the equity-indexed certificate of deposit is a purchased option, which is subject to the agencies' risk-based capital standards unless the fair value election has been made.

Equity Method of Accounting: The equity method of accounting shall be used to account for:

- (1) Investments in subsidiaries that have not been consolidated; associated companies; and corporate joint ventures, unincorporated joint ventures, and general partnerships over which the bank exercises significant influence; and
- (2) Noncontrolling investments in:
 - (a) Limited partnerships; and
 - (b) Limited liability companies that maintain “specific ownership accounts” for each investor and are within the scope of ASC Subtopic 323-30, Investments-Equity Method and Joint Ventures – Partnerships, Joint Ventures, and Limited Liability Entities (formerly EITF Issue No. 03-16, “Accounting for Investments in Limited Liability Companies”)

unless the investment in the limited partnership or limited liability company is so minor that the limited partner or investor may have virtually no influence over the operating and financial policies of the partnership or company. Consistent with guidance in ASC Subtopic 323-30, Investments-Equity Method and Joint Ventures – Partnerships, Joint Ventures, and Limited Liability Entities (formerly EITF Topic D-46, “Accounting for Limited Partnership Investments”), noncontrolling investments of more than 3 to 5 percent are considered to be more than minor.

The entities in which these investments have been made are collectively referred to as “investees.”

Under the equity method, the carrying value of a bank’s investment in an investee is originally recorded at cost but is adjusted periodically to record as income the bank’s proportionate share of the investee’s earnings or losses and decreased by the amount of cash dividends or similar distributions received from the investee. For purposes of these reports, the date through which the carrying value of the bank’s investment in an investee has been adjusted should, to the extent practicable, match the report date of the Report of Condition, but in no case differ by more than 93 days from the report.

See also “subsidiaries.”

Excess Balance Account: An excess balance account (EBA) is a limited-purpose account at a Federal Reserve Bank established for maintaining the excess balances of one or more depository institutions (participants) that are eligible to earn interest on balances held at the Federal Reserve Banks. An EBA is managed by another depository institution that has its own account at a Federal Reserve Bank (such as a participant’s pass-through correspondent) and acts as an agent on behalf of the participants. Balances in an EBA represent a liability of a Federal Reserve Bank directly to the EBA participants and not to the agent. The Federal Reserve Banks pay interest on the average balance in the EBA over a 7-day maintenance period and the agent disburses that interest to each participant in accordance with the instructions of the participant. Only a participant’s excess balances may be placed in an EBA; the account balance cannot be used to satisfy the participant’s reserve balance requirements or contractual clearing agreements.

The reporting of an EBA by participants and agents differs from the required reporting of a pass-through reserve relationship, which is described in the Glossary entry for “pass-through reserve balances.”

Excess Balance Account (cont.):

A participant's balance in an EBA is to be treated as a claim on a Federal Reserve Bank (not as a claim on the agent) and, as such, should be reported on the balance sheet in Schedule RC, item 1.b, "Interest-bearing balances" due from depository institutions, and, for a participant with foreign offices or with \$300 million or more in total assets, in Schedule RC-A, item 4, "Balances due from Federal Reserve Banks." For risk-based capital purposes, the participant's balance in an EBA is accorded a zero percent risk weight and should be reported in Schedule RC-R, item 34, "Cash and balances due from depository institutions," column C. A participant should not include its balance in an EBA in Schedule RC, item 3.a, "Federal funds sold."

The balances in an EBA should not be reflected as an asset or a liability on the balance sheet of the depository institution that acts as the agent for the EBA. Thus, the agent should not include the balances in the EBA in Schedule RC, item 1.b, "Interest-bearing balances" due from depository institutions; Schedule RC, item 13.a.(2), "Interest-bearing" deposits (in domestic offices); Schedule RC-A, item 4, "Balances due from Federal Reserve Banks"; or Schedule RC-R, item 34, "Cash and balances due from depository institutions."

Extinguishments of Liabilities: The accounting and reporting standards for extinguishments of liabilities are set forth in ASC Subtopic 405-20, Liabilities – Extinguishments of Liabilities (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"). Under ASC Subtopic 405-20, a bank should remove a previously recognized liability from its balance sheet if and only if the liability has been extinguished. A liability has been extinguished if either of the following conditions is met:

- (1) The bank pays the creditor and is relieved of its obligation for the liability. Paying the creditor includes delivering cash, other financial assets, goods, or services or the bank's reacquiring its outstanding debt.
- (2) The bank is legally released from being the primary obligor under the liability, either judicially or by the creditor.

Except for those unusual and infrequent gains and losses that qualify as extraordinary under the criteria in ASC Subtopic 225-20, Income Statement – Extraordinary and Unusual Items (formerly APB Opinion No. 30, "Reporting the Results of Operations"), banks should aggregate their gains and losses from the extinguishment of liabilities (debt), including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances, and consistently report the net amount in item 7.d, "Other noninterest expense," of the income statement (Schedule RI). Only if a bank's debt extinguishments normally result in net gains over time should the bank consistently report its net gains (losses) in Schedule RI, item 5.i, "Other noninterest income."

In addition, under ASC Subtopic 470-50, Debt – Modifications and Extinguishments (formerly FASB EITF Issue No. 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments"), the accounting for the gain or loss on the modification or exchange of debt depends on whether the original and the new debt instruments are substantially different. If they are substantially different, the transaction is treated as an extinguishment of debt and the gain or loss on the modification or exchange is reported immediately in earnings as discussed in the preceding paragraph. If the original and new debt instruments are not substantially different, the gain or loss on the modification or replacement of the debt is deferred and recognized over time as an adjustment to the interest expense on the new borrowing. ASC Subtopic 470-50 provides guidance on how to determine whether the original and the new debt instruments are substantially different.

Extraordinary Items: Extraordinary items are material events and transactions that are (1) unusual and (2) infrequent. Both of those conditions must exist in order for an event or transaction to be reported as an extraordinary item.

To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of banks. An event or transaction that is beyond bank management's control is not automatically considered to be unusual.

To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. Although the past occurrence of an event or transaction provides a basis for estimating the likelihood of its future occurrence, the absence of a past occurrence does not automatically imply that an event or transaction is infrequent.

Only a limited number of events or transactions qualify for treatment as extraordinary items. Among these are losses which result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future), an expropriation, or a prohibition under a newly enacted law or regulation.

For further information, see ASC Subtopic 225-20, Income Statement – Extraordinary and Unusual Items (formerly APB Opinion No. 30, “Reporting the Results of Operations”).

Fails: When a bank has sold an asset and, on settlement date, does not deliver the security or other asset and does not receive payment, a sales fail exists. When a bank has purchased a security or other asset and, on settlement date, does not receive the asset and does not pay for it, a purchase fail exists. Fails do not affect the way securities are reported in the Reports of Condition and Income.

Fair Value: ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, “Fair Value Measurements”), defines fair value and establishes a framework for measuring fair value. ASC Topic 820 should be applied when other accounting topics require or permit fair value measurements. For further information, refer to ASC Topic 820.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the asset's or liability's principal (or most advantageous) market at the measurement date. This value is often referred to as an “exit” price.

An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced liquidation or distressed sale.

ASC Topic 820 establishes a three level fair value hierarchy that prioritizes inputs used to measure fair value based on observability. The highest priority is given to Level 1 (observable, unadjusted) and the lowest priority to Level 3 (unobservable). The broad principles for the hierarchy follow.

Pass-through Reserve Balances (cont.):

pass the reserves through to a Federal Reserve Bank. This second type of account is called a "pass-through account," and a depository institution passing its reserves to the Federal Reserve through a correspondent is referred to here as a "respondent." This pass-through reserve relationship is legally and for supervisory purposes considered to constitute an asset/debt relationship between the respondent and the correspondent, and an asset/debt relationship between the correspondent and the Federal Reserve. The required reporting of the "pass-through reserve balances" reflects this structure of asset/debt relationships.

In the balance sheet of the respondent bank, the pass-through reserve balances are to be treated as a claim on the correspondent (not as a claim on the Federal Reserve) and, as such, are to be reflected in the balance sheet of the Report of Condition, Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," or item 1.b, "Interest-bearing balances," as appropriate. For respondent banks with foreign offices or with \$300 million or more in total assets, the pass-through reserve balances would also be reflected in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S."

In the balance sheet of the correspondent bank, the pass-through reserve balances are to be treated as balances due to respondents and, to the extent that the balances have actually been passed through to the Federal Reserve, as balances due from the Federal Reserve. The balances due to respondents are to be reflected in the balance sheet of the Report of Condition, Schedule RC, item 13.a, "Deposits in domestic offices," and on in Schedule RC-E, Deposit Liabilities, (part I), item 4.¹ The balances due from the Federal Reserve are to be reflected on the balance sheet in Schedule RC, item 1.b, "Interest-bearing balances," and, for correspondent banks with foreign offices or with \$300 million or more in total assets, in Schedule RC-A, item 4.

The reporting of pass-through reserve balances by correspondent and respondent banks differs from the required reporting of excess balance accounts by participants and agents, which is described in the Glossary entry for "excess balance accounts."

Perpetual Preferred Stock: See "preferred stock."

Placements and Takings: Placements and takings are deposits between a foreign office of the reporting bank and a foreign office of another bank and are to be treated as due from or due to depository institutions. Such transactions are always to be reported gross and are not to be netted as reciprocal balances.

Pooling of Interests: See "business combinations."

Preauthorized Transfer Account: See "deposits."

Preferred Stock: Preferred stock is a form of ownership interest in a bank or other company which entitles its holders to some preference or priority over the owners of common stock, usually with respect to dividends or asset distributions in a liquidation.

Limited-life preferred stock is preferred stock that has a stated maturity date or that can be redeemed at the option of the holder. It excludes those issues of preferred stock that automatically convert into perpetual preferred stock or common stock at a stated date.

Perpetual preferred stock is preferred stock that does not have a stated maturity date or that cannot be redeemed at the option of the holder. It includes those issues of preferred stock that automatically convert into common stock at a stated date.

¹ When an Edge or Agreement Corporation acts as a correspondent, its balances due to respondents are to be reflected on the FFIEC 031 report form in Schedule RC, item 13.b, "Deposits in foreign offices," and in Schedule RC-E, part II, item 2.

Premiums and Discounts: A premium arises when a bank purchases a security, loan, or other asset at a price in excess of its par or face value, typically because the current level of interest rates for such assets is less than its contract or stated rate of interest. The difference between the purchase price and par or face value represents the premium, which all banks are required to amortize.

A discount arises when a bank purchases a security, loan, or other asset at a price below its par or face value, typically because the current level of interest rates for such assets is greater than its contract or stated rate of interest. A discount is also present on instruments that do not have a stated rate of interest such as U.S. Treasury bills and commercial paper. The difference between par or face value and the purchase price represents the discount that all banks are required to accrete.

Premiums and discounts are accounted for as adjustments to the yield on an asset over the life of the asset. A premium must be amortized and a discount must be accreted from date of purchase to maturity, not to call or put date. The preferable method for amortizing premiums and accreting discounts involves the use of the interest method for accruing income on the asset. The objective of the interest method is to produce a constant yield or rate of return on the carrying value of the asset (par or face value plus unamortized premium or less unaccreted discount) at the beginning of each amortization period over the asset's remaining life. The difference between the periodic interest income that is accrued on the asset and interest at the stated rate is the periodic amortization or accretion. However, a straight-line method of amortization or accretion is acceptable if the results are not materially different from the interest method.

A premium or discount may also arise when the reporting bank, acting either as a lender or a borrower, is involved in an exchange of a note for assets other than cash and the interest rate is either below the market rate or not stated, or the face amount of the note is materially different from the fair value of the noncash assets exchanged. The noncash assets and the related note shall be recorded at either the fair value of the noncash assets or the market value of the note, whichever is more clearly determinable. The market value of the note would be its present value as determined by discounting all future payments on the note using an appropriate interest rate, i.e., a rate comparable to that on new loans of similar risk. The difference between the face amount and the recorded value of the note is a premium or discount. This discount or premium shall be accounted for as an adjustment of the interest income or expense over the life of the note using the interest method described above.

For further information, see ASC Subtopic 835-30, Interest – Imputation of Interest (formerly APB Opinion No. 21, "Interest on Receivables and Payables").

Purchase Acquisition: See "business combinations."

Purchased Impaired Loans and Debt Securities: Purchased impaired loans and debt securities are loans and debt securities that a bank has purchased, including those acquired in a purchase business combination, where there is evidence of deterioration of credit quality since the origination of the loan or debt security and it is probable, at the purchase date, that the bank will be unable to collect all contractually required payments receivable. Such loans and debt securities acquired in fiscal years beginning after December 15, 2004, must be accounted for in accordance with ASC Subtopic 310-30, Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"). ASC Subtopic 310-30 does not apply to loans that a bank has originated.

Under ASC Subtopic 310-30, a purchased impaired loan or debt security is initially recorded at its purchase price (in a purchase business combination, the present value of amounts to be received). ASC Subtopic 310-30 limits the yield that may be accreted on the loan or debt security (the accretable yield) to the excess of the bank's estimate of the undiscounted principal, interest, and other cash flows expected at acquisition to be collected on the asset over the bank's initial investment in the asset. The excess of contractually required cash flows over the cash flows expected to be collected on the loan or debt security, which is referred to as the nonaccretable difference, must not be recognized as an adjustment of yield, loss accrual, or valuation allowance. Neither the accretable yield nor the