

**FFIEC 051**

**CALL REPORT**

**INSTRUCTION BOOK UPDATE**

**DECEMBER 2018**

## FILING INSTRUCTIONS

NOTE: This update for the instruction book for the FFIEC 051 Call Report 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 for a Bank with Domestic Offices Only and Total Assets Less than \$1 Billion* (FFIEC 051) 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 for the FFIEC 051 Call Report.

### Remove Pages

1 – 8 (6-18, 9-18)  
11 – 16 (9-18)  
RC-B-1 – RC-B-2 (6-18)  
RC-E-1 – RC-E-2 (9-18)  
RC-E-13 – RC-E-14a (9-18)  
RC-R-65 – RC-R-66 (3-17)  
RC-R-71 – RC-R-72 (3-17)  
RC-R-109 – RC-R-110 (3-17)  
A-11 – A-12 (3-17)  
A-19 – A-20 (3-17)  
A-23 – A-28 (3-17)  
A-31 – A-32 (3-17)  
A-39 – A-40 (9-17)  
A-65 – A-66 (9-18)

### Insert Pages

1 – 8 (12-18) \*  
11 – 16 (12-18) \*  
RC-B-1 – RC-B-2 (12-18)  
RC-E-1 – RC-E-2 (12-18) \*  
RC-E-13 – RC-E-14a (12-18)  
RC-R-65 – RC-R-66 (12-18)  
RC-R-71 – RC-R-72 (12-18)  
RC-R-109 – RC-R-110 (12-18) \*  
A-11 – A-12 (12-18) \*  
A-19 – A-20 (12-18)  
A-23 – A-28 (12-18) \*  
A-31 – A-32 (12-18) \*  
A-39 – A-40 (12-18) \*  
A-65 – A-66 (12-18)

\* The updates to these pages are limited solely to the insertion or updating of hyperlinks to other documents.

## GENERAL INSTRUCTIONS

Schedules RC and RC-B through RC-T constitute the [FFIEC 051](#) version of the Consolidated Report of Condition and its supporting schedules. Schedules RI and RI-A through RI-E constitute the Consolidated Report of Income and its supporting schedules. Schedule SU – Supplemental Information collects additional information in the [FFIEC 051](#) on certain complex or specialized activities in which an institution may engage. The Consolidated Reports of Condition and Income are commonly referred to as the Call Report. For purposes of these General Instructions, the [Financial Accounting Standards Board](#) (FASB) [Accounting Standards Codification](#) is referred to as the “ASC.”

Unless the context indicates otherwise, the term “bank” in the Call Report instructions refers to both banks and savings associations.

### WHO MUST REPORT ON WHAT FORMS

Every national bank, state member bank, insured state nonmember bank, and savings association is required to file a consolidated Call Report normally as of the close of business on the last calendar day of each calendar quarter, i.e., the report date. The specific reporting requirements depend upon the size of the bank and whether it has any “foreign” offices. Banks must file the appropriate forms as described below:

(1) **BANKS WITH FOREIGN OFFICES:** Banks of any size that have any “foreign” offices (as defined below) must file quarterly the [Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices \(FFIEC 031\)](#). For purposes of these reports, all of the following constitute “foreign” offices:

- (a) An International Banking Facility (IBF);
- (b) A branch or consolidated subsidiary in a foreign country; and
- (c) A majority-owned Edge or Agreement subsidiary.

In addition, for banks chartered and headquartered in the 50 states of the United States and the District of Columbia, a branch or consolidated subsidiary in Puerto Rico or a U.S. territory or possession is a “foreign” office. However, for purposes of these reports, a branch at a U.S. military facility located in a foreign country is a “domestic” office.

(2) **BANKS WITHOUT FOREIGN OFFICES:** Banks that have domestic offices only must file quarterly:

- (a) The [Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices \(FFIEC 031\)](#) if the bank has total consolidated assets of \$100 billion or more;
- (b) The [Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only \(FFIEC 041\)](#) if the bank has total consolidated assets less than \$100 billion; or
- (c) The [Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than \\$1 Billion \(FFIEC 051\)](#),

as appropriate to the reporting institution. An institution eligible to file the [FFIEC 051](#) report (as discussed below) may choose instead to file the [FFIEC 041](#) report.

For banks chartered and headquartered in Puerto Rico or a U.S. territory or possession, a branch or consolidated subsidiary in one of the 50 states of the United States, the District of Columbia, Puerto Rico, or a U.S. territory or possession is a “domestic” office.

For those institutions filing the [FFIEC 031](#) or [FFIEC 041](#), a separate instruction book covers both of these report forms. Please refer to this separate instruction book for the General Instructions for the [FFIEC 031](#) and the [FFIEC 041](#) report forms.

### ***Eligibility to File the FFIEC 051***

Institutions with domestic offices only and total assets less than \$1 billion, excluding those that are advanced approaches institutions for regulatory capital purposes,<sup>1</sup> are eligible to file the [FFIEC 051](#) Call Report. An institution's total assets are measured as of June 30 each year to determine the institution's eligibility to file the [FFIEC 051](#) beginning in March of the following year.

For an institution otherwise eligible to file the [FFIEC 051](#), the institution's primary federal regulatory agency, jointly with the state chartering authority, if applicable, may require the institution to file the [FFIEC 041](#) instead based on supervisory needs. In making this determination, the appropriate agency will consider criteria including, but not limited to, whether the eligible institution is significantly engaged in one or more complex, specialized, or other higher risk activities, such as those for which limited information is reported in the [FFIEC 051](#) compared to the [FFIEC 041](#) (trading; derivatives; mortgage banking; fair value option usage; servicing, securitization, and asset sales; and variable interest entities). The agencies anticipate making such determinations only in a limited number of cases.

### ***Close of Business***

The term "close of business" refers to the time established by the reporting bank as the cut-off time for receipt of work for posting transactions to its general ledger accounts for that day. The time designated as the close of business should be reasonable and applied consistently. The posting of a transaction to the general ledger means that both debit and credit entries are recorded as of the same date. In addition, entries made to general ledger accounts in the period subsequent to the close of business on the report date that are applicable to the period covered by the Call Report (e.g., adjustments of accruals, posting of items held in suspense on the report date to their proper accounts, and other quarter-end adjusting entries) should be reported in the Call Report as if they had actually been posted to the general ledger at or before the cut-off time on the report date.

With respect to deposits received by the reporting bank after the cut-off time for posting them to individual customer accounts for a report date (i.e., so-called "next day deposits" or "late deposits"), but which are nevertheless posted in any manner to the reporting bank's general ledger accounts for that report date (including, but not limited to, through the use of one or more general ledger contra accounts), such deposits must be reported in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, item 1, and may also be reported in Schedule RC, Balance Sheet, item 13, "Deposits," and Schedule RC-E, Deposit Liabilities. However, the use of memorandum accounts outside the reporting bank's general ledger system for control over "next day" or "late deposits" received on the report date does not in and of itself make such deposits reportable in Schedule RC-O and Schedules RC and RC-E.

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<sup>1</sup> In general, an advanced approaches institution, as defined in the regulatory capital rules, has consolidated total assets equal to \$250 billion or more, has consolidated total on-balance sheet foreign exposure equal to \$10 billion or more, is a subsidiary of a depository institution or holding company that uses the advanced approaches to calculate its total risk-weighted assets, or elects to use the advanced approaches to calculate its total risk-weighted assets. The regulatory capital rules are set forth in [12 CFR Part 3](#) for national banks and federal savings associations; [12 CFR Part 217](#) for state member banks; and [12 CFR Part 324](#) for state nonmember banks and state savings associations.

### ***Frequency of Reporting***<sup>1</sup>

Each institution is required to submit a Call Report quarterly as of the report date. However, for banks with fiduciary powers, the reporting frequency for Schedule RC-T, Fiduciary and Related Services, depends on their total fiduciary assets and their gross fiduciary and related services income. Banks with total fiduciary assets greater than \$250 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must complete the applicable items of Schedule RC-T quarterly. All other banks with fiduciary powers must complete the applicable items of Schedule RC-T annually as of the December 31 report date.

For all institutions filing the [FFIEC 051](#), Schedule RC-C, Part II, Loans to Small Businesses and Small Farms, must be completed semiannually as of the June 30 and December 31 report dates.

Schedule RC, Memorandum item 1, on the level of external auditing work performed for the bank, and Memorandum item 2, on the bank's fiscal year-end date, are to be reported annually as of the March 31 report date.

In addition, the following items are to be completed annually as of the December 31 report date:

- (1) Schedule RI-E, items 1.a through 1.i, on components of other noninterest income;
- (2) Schedule RI-E, items 2.a through 2.p, on components of other noninterest expense;
- (3) Schedule RC-C, Part I, Memorandum items 8.b and 8.c, and Schedule RI, Memorandum item 12, on closed-end 1-4 family residential mortgage loans with negative amortization features;
- (4) Schedule RC-C, Part I, Memorandum items 15.a.(1) through 15.c.(2), on reverse mortgages;
- (5) Schedule RC-E, Memorandum item 1.e, "Preferred deposits;"
- (6) Schedule RC-M, item 6, "Does the reporting bank sell private label or third-party mutual funds and annuities?";
- (7) Schedule RC-M, item 7, "Assets under the reporting bank's management in proprietary mutual funds and annuities";
- (8) Schedule RC-M, item 9, "Do any of the bank's Internet websites have transactional capability, i.e., allow the bank's customers to execute transactions on their accounts through the website?";
- (9) Schedule RC-M, item 11, "Does the bank act as trustee or custodian for Individual Retirement Accounts, Health Savings Accounts, and other similar accounts?";
- (10) Schedule RC-M, item 12, "Does the bank provide custody, safekeeping, or other services involving the acceptance of orders for the sale or purchase of securities?"; and
- (11) Schedule RC-M, items 14.a and 14.b, on assets of captive insurance and reinsurance subsidiaries.

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<sup>1</sup> The reporting frequency for particular schedules and data items differs on the three versions of the Call Report. Please see the General Instructions for the [FFIEC 031](#) and the [FFIEC 041](#) for a listing of data items reported less frequently than quarterly on those report forms.

The following items are to be reported semiannually as of the June 30 and December 31 report dates:

- (1) Schedule RC-B, Memorandum item 3, “Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date”;
- (2) Schedule RC-B, Memorandum items 6.a through 6.g, columns A through D, on structured financial products by underlying collateral or reference assets;
- (3) Schedule RC-C, Part I, Memorandum item 4, “Adjustable-rate closed-end loans secured by first liens on 1–4 family residential properties (included in Schedule RC-C, Part I, item 1.c.(2)(a))”;
- (4) Schedule RC-C, Part I, Memorandum items 7.a and 7.b, on purchased credit-impaired loans held for investment;
- (5) Schedule RC-C, Part I, Memorandum item 8.a, on closed-end 1-4 family residential mortgage loans with negative amortization features;
- (6) Schedule RC-C, Part I, Memorandum item 12, “Loans (not subject to the requirements of FASB ASC 310-30 (former AICPA Statement of Position 03-3)) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year”;
- (7) Schedule RC-F, items 6.a through 6.i, on components of all other assets;
- (8) Schedule RC-G, items 4.a through 4.g, on components of all other liabilities;
- (9) Schedule RC-L, items 9.c through 9.f, on components of all other off-balance sheet liabilities;
- (10) Schedule RC-L, items, 10.b through 10.e, on components of all other off-balance sheet assets;
- (11) Schedule RC-L, items 11.a and 11.b, on year-to-date merchant credit card sales volume;
- (12) Schedule RC-N, Memorandum item, 5, on past due and nonaccrual loans and leases held for sale;
- (13) Schedule RC-N, Memorandum items 7 and 8, on additions to and sales of nonaccrual assets during the previous six months; and
- (14) Schedule RC-N, Memorandum items 9.a and 9.b, on purchased credit-impaired loans.

In addition, in Schedule RC-M, information on “International remittance transfers offered to consumers” is to be provided in item 16.a and, if appropriate, in items 16.c and 16.d semiannually as of the June 30 and December 31 report dates. Item 16.b is to be completed annually as of the June 30 report date only.

### ***Differences in Detail of Reports***

The amount of detail required to be reported varies between the three versions of the Call Report forms, with the report form for banks with foreign offices or with total consolidated assets of \$100 billion or more ([FFIEC 031](#)) having more detail than the report form for banks with domestic offices only and total consolidated assets of less than \$100 billion ([FFIEC 041](#)). The report form for banks with domestic offices only and total assets less than \$1 billion ([FFIEC 051](#)) has the least amount of detail of the three reports.

Furthermore, as discussed below under Shifts in Reporting Status, the amount of detail also varies within each report form, primarily based on the size of the bank. See the General Instructions section of the instruction book for the [FFIEC 031](#) and the [FFIEC 041](#) for information on the differences in the level of detail within the [FFIEC 031](#) and the [FFIEC 041](#) report forms.

Differences in the level of detail within the [FFIEC 051](#) report form are as follows:

- (1) Banks with specified loan categories included in Schedule RC-C, Part I, Memorandum item 1.f, “All other loans” that exceed 10 percent of total loans restructured in troubled debt restructurings (TDRs) that are in compliance with their modified terms must report the amount of such TDRs in Memorandum items 1.f.(1), 1.f.(4)(a), 1.f.(4)(b), and 1.f.(4)(c).
- (2) Banks that reported closed-end loans with negative amortization features secured by 1–4 family residential properties in Schedule RC-C, Part I, Memorandum item 8.a, as of the preceding December 31 that exceeded the lesser of \$100 million or 5 percent of total loans and leases held for investment and held for sale must report certain additional information on these loans in Schedule RC-C, Part I, Memorandum items 8.b and 8.c, and Schedule RI, Memorandum item 12, annually in the December report only.
- (3) Banks that reported construction, land development, and other land loans in Schedule RC-C, Part I, item 1.a, that exceeded 100 percent of total capital as of the preceding December 31 must report certain information on loans in this loan category with interest reserves in Schedule RC-C, Part I, Memorandum items 13.a and 13.b.
- (4) Banks that reported in Schedule RC-M, item 16.b, that they provided more than 100 international remittance transfers in the previous calendar year or that they estimate that they will provide more than 100 international remittance transfers in the current calendar year must report certain additional information on their international remittance transfer activities during specified periods in Schedule RC-M, items 16.c and 16.d.
- (5) Banks with specified loan categories included in Schedule RC-N, Memorandum item 1.f, “All other loans” that exceed 10 percent of total loans restructured in troubled debt restructurings (TDRs) that are past due 30 days or more or are in nonaccrual status must report the amount of such TDRs in Memorandum items 1.f.(1), 1.f.(4)(a), 1.f.(4)(b), and 1.f.(4)(c).
- (6) Banks with total fiduciary assets greater than \$250 million (as of the preceding December 31) or with gross fiduciary and related services income greater than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must report information on their fiduciary and related services income and on fiduciary settlements and losses in Schedule RC-T.
- (7) Banks with total fiduciary assets greater than \$100 million but less than or equal to \$250 million (as of the preceding December 31) and with gross fiduciary and related services income less than or equal to 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year must report information on fiduciary settlements and losses in Schedule RC-T.

- (8) Banks with collective investment funds and common trust funds with a total market value of \$1 billion or more as of the preceding December 31 must report a breakdown of these funds by type of fund in Schedule RC-T, Memorandum items 3.a through 3.g, quarterly or annually, as appropriate.
- (9) Banks that, for each of the two calendar quarters preceding the current calendar quarter, had either (a) more than \$10 million in sales of 1-4 family residential mortgage loans during the calendar quarter, or (b) more than \$10 million in 1-4 family residential mortgage loans held for sale or trading at calendar quarter-end must complete Schedule SU, items 2.a and 2.b.
- (10) Banks servicing either (a) any closed-end 1-4 family residential mortgages or (b) more than \$10 million in financial assets other than closed-end 1-4 family residential mortgages must report the total volume of such servicing in Schedule SU, item 6.a.
- (11) Banks that, together with affiliated institutions, have outstanding credit card receivables that exceed \$500 million as of the report date or are credit card specialty institutions as defined for Uniform Institution Performance Report purposes must report certain information on retail credit card fees and finance charges in Schedule SU, items 8.a through 8.d.

### **Shifts in Reporting Status**

All shifts in reporting status within the [FFIEC 051](#) report form (except as noted below) are to begin with the March Call Report. Such a shift will take place only if the reporting bank's total assets, agricultural loans, or credit card lines, as reflected in the Consolidated Report of Condition for June of the previous calendar year, equal or exceed the following criteria:

- (1) When *total assets equal or exceed \$100 million*, a bank must begin to complete Schedule RC-K, item 13, for the quarterly average of "Other borrowed money."
- (2) When *loans to finance agricultural production and other loans to farmers exceed 5 percent of total loans and leases held for investment and held for sale* at a bank with less than \$300 million in total assets, the bank must begin to report the following information for these agricultural loans: interest and fee income, quarterly average, past due and nonaccrual loans, charge-offs and recoveries, and, if certain additional criteria are met, troubled debt restructurings.
- (3) When *total assets equal or exceed \$300 million*, a bank must begin to complete certain Memorandum items providing the following information on loans to finance agricultural production and other loans to farmers: interest and fee income, quarterly average, past due and nonaccrual loans, charge-offs and recoveries, and, if certain additional criteria are met, troubled debt restructurings.

Once a bank reaches the \$100 million or \$300 million total asset threshold or exceeds the agricultural loan percentage threshold and begins to report the additional required information described above, it *must* continue to report the additional information in subsequent years unless its total assets or loan percentage subsequently fall to less than the applicable threshold for four consecutive quarters. In this case, the institution may cease reporting the data items to which the threshold applies in the quarter after the four consecutive quarters in which its total assets or agricultural loans have fallen below the applicable threshold. However, if the institution exceeds the threshold as of a subsequent June 30 report date, the data items would again be required to be reported beginning in March of the following year.

For example, if June 30, 2018, is the first June 30 as of which an institution reports \$300 million or more in total assets, the institution must begin reporting the data items to which the \$300 million total assets threshold applies as of the March 31, 2019, report date. If the institution reports less than \$300 million in total assets each quarter-end from September 30, 2018, through June 30, 2019, it may cease reporting the data items applicable to institutions with \$300 million or more in total assets beginning September 30, 2019. In contrast, if instead the institution reports \$300 million or more in total assets as of September 30 and December 31, 2018, but then reports less than \$300 million in total assets each quarter-end from March 31, 2019, through December 31, 2019, it may cease reporting the data items applicable to institutions with \$300 million or more in total assets beginning March 31, 2020.

For a bank that files the [FFIEC 051](#) report, other shifts in reporting status occur when:

- (1) The bank establishes or acquires any "foreign" office. The bank must begin filing the [FFIEC 031](#) report form (Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices) for the first quarterly report date following the commencement of operations by the "foreign" office. However, a bank with "foreign" offices that divests itself of *all* its "foreign" offices must continue filing the [FFIEC 031](#) report form through the end of the calendar year in which the cessation of all operations of its "foreign" offices was completed.
- (2) The institution is involved in a business combination, a transaction between entities under common control, or a branch acquisition that is not a business combination. Beginning with the first quarterly report date following the effective date of a such a transaction involving an institution and one or more other depository institutions, the resulting institution, regardless of its size prior to the transaction, must (a) file the [FFIEC 031](#) report form if it acquires any "foreign" office, (b) file the [FFIEC 041](#) report form if its consolidated total assets after the consummation of the transaction are \$1 billion or more, or (c) report the additional required information described above on the [FFIEC 051](#) report form if its total assets or agricultural loans after the consummation of the transaction surpass the \$100 million or \$300 million total asset threshold or the agricultural loan percentage.
- (3) The institution becomes an advanced approaches institution for regulatory capital purposes. The institution must begin filing the [FFIEC 041](#) report for the first quarterly report date after the date it becomes an advanced approaches institution (unless it establishes or acquires a "foreign office" in the same quarter that it becomes an advanced approaches institution, in which case the institution must begin filing the [FFIEC 031](#) report form for that first quarterly report date).

In addition, beginning with the first quarterly report date after an operating depository institution that was not previously a member of the Federal Deposit Insurance Corporation (FDIC) becomes an FDIC-insured institution and is eligible to, and chooses to, file the [FFIEC 051](#), it must report the additional required information described above, based on its total assets and agricultural loans at the time it becomes FDIC-insured.

## ORGANIZATION OF THE INSTRUCTION BOOK

This instruction book covers the [FFIEC 051](#) report form.<sup>1</sup> It is divided into the following sections:

- (1) The General Instructions describe overall reporting requirements.
- (2) The Line Item Instructions for each schedule of the Consolidated Report of Income.

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<sup>1</sup> A separate instruction book covers both the [FFIEC 031](#) and the [FFIEC 041](#) report forms.

- (3) The Line Item Instructions for each schedule of the Consolidated Report of Condition.
- (4) The Line Item Instructions for Schedule SU – Supplemental Information.

The instructions and definitions in sections (2), (3), and (4) are not necessarily self-contained; reference to more detailed treatments in the Glossary may be needed.

- (5) The Glossary presents, in alphabetical order, definitions and discussions of accounting and reporting issues and other topics that require more extensive treatment than is practical to include in the line item instructions or that are relevant to several line items or to the overall preparation of these reports. The Glossary is not, and is not intended to be, a comprehensive discussion of the principles of bank accounting or reporting.

In determining the required treatment of particular transactions or portfolio items or in determining the definitions and scope of the various items, the General Instructions, the line item instructions, and the Glossary (all of which are extensively cross-referenced) must be used jointly. A single section does not necessarily give the complete instructions for completing all the items of the reports.

The instruction book for the FFIEC 051 report form is available on the Internet on the FFIEC's website (<https://www.ffiec.gov/forms051.htm>) and on the FDIC's website (<https://www.fdic.gov/regulations/resources/call/call.html>).

## PREPARATION OF THE REPORT

Banks are required to prepare and file the Call Report in accordance with these instructions. All reports shall be prepared in a consistent manner.

The bank's financial records shall be maintained in such a manner and scope so as to ensure that the Call Report can be prepared and filed in accordance with these instructions and reflect a fair presentation of the bank's financial condition and results of operations.

Questions and requests for interpretations of matters appearing in any part of these instructions should be addressed to the bank's primary federal bank supervisory agency (i.e., the Federal Reserve Banks, the OCC, or the FDIC). Such inquiries will be referred for resolution to the Task Force on Reports of the Federal Financial Institutions Examination Council (FFIEC). Regardless of whether a bank requests an interpretation of a matter appearing in these instructions, when a bank's primary federal bank supervisory agency's interpretation of the instructions differs from the bank's interpretation, the supervisory agency may require the bank to prepare its Call Report in accordance with the agency's interpretation and to amend previously submitted reports.

## SIGNATURES

Either the cover (signature) page of any agency-supplied sample set of report forms, a photocopy of this cover page, or a copy of the cover page printed from the bank's report preparation software or from the FFIEC's or the FDIC's Web site should be used to fulfill the signature and attestation requirement.

### ***Chief Financial Officer Declaration***

The chief financial officer of the bank (or the individual performing an equivalent function) shall sign a declaration on the cover (signature) page attesting to the correctness of the Consolidated Reports of Condition and Income that the bank has filed with the appropriate supervisory agency.

## RETENTION OF REPORTS

In general, a bank should maintain in its files a signed and attested record of its completed Call Report, including any amended reports, and the related workpapers and supporting documentation<sup>1</sup> for three years after the report date, unless any applicable state requirements mandate a longer retention period. This three-year time period is consistent with the time period specified in [Section 7\(b\)\(4\) of the Federal Deposit Insurance Act](#), which provides that each insured depository institution shall maintain all records that the FDIC may require for verifying the correctness of any deposit insurance assessment on the institution until the later of the end of the three-year period beginning on the due date of the assessment, or in the case of a dispute between the insured depository institution and the FDIC with respect to such assessment, the date of a final determination of any such dispute.

## SCOPE OF THE "CONSOLIDATED BANK" REQUIRED TO BE REPORTED IN THE SUBMITTED REPORTS

In their Call Reports submitted to the federal bank supervisory agencies, banks and their subsidiaries shall present their financial condition and results of operations on a consolidated basis in accordance with U.S. generally accepted accounting principles (GAAP). All majority-owned subsidiaries shall be consolidated unless either the subsidiary is not "significant" or control of the subsidiary does not rest with the parent bank (see "Exclusions from the Coverage of the Consolidated Report" below). See the Glossary entry for "subsidiaries" for the definition of "significant subsidiary." Accordingly, in the Call Report for a bank with domestic offices only, the bank shall consolidate the operations of:

- (1) The bank's head office;
- (2) All branches of the bank;
- (3) All domestic majority-owned subsidiaries that are "significant," including domestic subsidiaries that are commercial banks, savings banks, or savings and loan associations that must file separate Call Reports (or separate reports of a comparable nature) with any state or federal financial institutions supervisory authority;
- (4) All nonsignificant domestic majority-owned subsidiaries that the bank has elected to consolidate on a consistent basis in both the Consolidated Report of Condition and the Consolidated Report of Income; and
- (5) All variable interest entities (VIEs) in which the bank, or a consolidated subsidiary of the bank, has a controlling financial interest and, thus, is the primary beneficiary. For further information, refer to the Glossary entry for "variable interest entity."

Each bank shall account for any investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence according to the equity method of accounting. The equity method of accounting is described in the instructions for Schedule RC, item 8. (Refer to the Glossary entry for "subsidiaries" for the definitions of the terms subsidiary, associated company, and corporate joint venture.)

### ***Exclusions from the Coverage of the Consolidated Report***

*Subsidiaries where control does not rest with the parent* – If control of a majority-owned subsidiary does not rest with the parent bank because of legal or other reasons (e.g., the subsidiary is in

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<sup>1</sup> Supporting documentation may include, but is not limited to, overdraft reports, trust department records, and records of other material adjustments to deposits.

bankruptcy), the subsidiary is not to be consolidated for purposes of the report.<sup>1</sup> Thus, the bank's investment in such a subsidiary is not eliminated in consolidation but will be reflected in the report in the balance sheet item for "Investments in unconsolidated subsidiaries and associated companies" (Schedule RC, item 8) or "Direct and indirect investments in real estate ventures" (Schedule RC, item 9), as appropriate. Other transactions of the bank with such a subsidiary will be reflected in the appropriate items of the report in the same manner as transactions with unrelated outside parties. Additional guidance on this topic is provided in accounting standards, including ASC Subtopic 810-10, Consolidation – Overall (formerly FASB Statement No. 94, "Consolidation of All Majority-Owned Subsidiaries").

*Trust accounts* – For purposes of the Call Report, the reporting bank's trust department is not to be consolidated into the reporting bank's balance sheet or income statement. However, information concerning the bank's trust activities must be reported in Schedule RC-T, Fiduciary and Related Services. Assets held in or administered by the bank's trust department and the income earned on such assets are excluded from all of the other schedules of the Call Report except when trust funds are deposited by the trust department of the reporting bank in the commercial or some other department of the reporting bank.

When such trust funds are deposited in the bank, they are to be reported as deposit liabilities in Schedule RC-E in the deposit category appropriate to the beneficiary. Interest paid by the bank on such deposits is to be reported as part of the reporting bank's interest expense.

However, there are two exceptions:

- (1) *Uninvested trust funds (cash)* held in the bank's trust department, which are *not* included on the balance sheet of the reporting bank, *must* be reported in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments; and
- (2) The *fees* earned by the trust department for its fiduciary activities and the *operating expenses* of the trust department are to be reported in the bank's income statement (Schedule RI) on a gross basis as if part of the consolidated bank.

*Custody accounts* – All custody and safekeeping activities (i.e., the holding of securities, jewelry, coin collections, and other valuables in custody or in safekeeping for customers) are *not* to be reflected on any basis in the balance sheet of the Consolidated Report of Condition unless cash funds held by the bank in safekeeping for customers are commingled with the general assets of the reporting bank. In such cases, the commingled funds would be reported in the Consolidated Report of Condition as deposit liabilities of the bank.

## RULES OF CONSOLIDATION

For purposes of these reports, all offices (i.e., branches, subsidiaries, and VIEs) that are within the scope of the consolidated bank as defined above are to be reported on a consolidated basis. Unless the instructions specifically state otherwise, this consolidation shall be on a line-by-line basis, according to the caption shown. As part of the consolidation process, the results of all transactions and all intercompany balances (e.g., outstanding asset/debt relationships) between offices, subsidiaries, and other entities *included* in the scope of the consolidated bank are to be *eliminated* in the consolidation and must be *excluded* from the Call Report. (For example, eliminate in the consolidation (1) loans made by

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<sup>1</sup> In contrast, by definition, control of a VIE is deemed to rest with the parent if the parent or its consolidated subsidiary has a controlling financial interest in the VIE and, thus, is the primary beneficiary, in which case the VIE must be consolidated for purposes of the Call Report.

the bank to a consolidated subsidiary and the corresponding liability of the subsidiary to the bank, (2) a consolidated subsidiary's deposits in the bank and the corresponding cash or interest-bearing asset balance of the subsidiary, and (3) the intercompany interest income and expense related to such loans and deposits of the bank and its consolidated subsidiary.)

Exception: For purposes of reporting the total assets of captive insurance and reinsurance subsidiaries in Schedule RC-M, Memoranda, items 14.a and 14.b, only, banks should measure the subsidiaries' total assets before eliminating intercompany transactions between the consolidated subsidiary and other offices or subsidiaries of the consolidated bank. Otherwise, captive insurance and reinsurance subsidiaries should be reported on a consolidated basis as described in the preceding paragraph.

*Subsidiaries of subsidiaries* – For a subsidiary of a bank which is in turn the parent of one or more subsidiaries:

- (1) Each subsidiary shall consolidate its majority-owned subsidiaries in accordance with the consolidation requirements set forth above.
- (2) Each subsidiary shall account for any investments in unconsolidated subsidiaries, corporate joint ventures over which the bank exercises significant influence, and associated companies according to the equity method of accounting.

*Noncontrolling (minority) interests* – A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a bank's subsidiary not attributable, directly or indirectly, to the parent bank. Report noncontrolling interests in the reporting bank's consolidated subsidiaries in Schedule RC, item 27.b, "Noncontrolling (minority) interests in consolidated subsidiaries," of the Consolidated Report of Condition. Report the portion of consolidated net income reported in Schedule RI, item 12, that is attributable to noncontrolling interests in consolidated subsidiaries of the bank in Schedule RI, item 13, of the Consolidated Report of Income.

*Deposit insurance and FICO assessments* – When one FDIC-insured institution that files the FFIEC 051 owns another FDIC-insured institution as a subsidiary, the parent institution should complete items 1 through 11 (except item 9.a) and Memorandum items 1 and 3 of Schedule RC-O by accounting for the insured institution subsidiary under the equity method of accounting instead of consolidating it, i.e., on an "unconsolidated single FDIC certificate number basis." (However, an FDIC-insured institution that owns another FDIC-insured institution should complete item 9.a of Schedule RC-O by consolidating its subsidiary institution.) In contrast, when an FDIC-insured institution consolidates entities other than FDIC-insured institutions for purposes of Schedule RC, Balance Sheet, the parent institution should complete items 1 through 11 and Memorandum items 1 and 3 of Schedule RC-O on a consolidated basis with respect to these other entities. However, all deposits of subsidiaries (except an insured depository institution subsidiary) that are consolidated and, therefore, eliminated from reported deposits on the balance sheet (Schedule RC, item 13.a) must be reported in Schedule RC-O, items 1 and 2 and Memorandum item 1. Similarly, the interest accrued and unpaid on these deposits, which is eliminated in consolidation from reported other liabilities on the balance sheet (Schedule RC, item 20), also must be reported in these Schedule RC-O items.

*Cutoff dates for consolidation* – All *branches* must be consolidated as of the report date. For purposes of consolidation, the date of the financial statements of a *subsidiary* should, to the extent practicable, match the report date of the parent bank, but in no case differ by more than 93 days from the report date.

## PUBLICATION REQUIREMENTS FOR THE CONSOLIDATED REPORT OF CONDITION

There are no federal requirements for a bank to publish the balance sheet of the Consolidated Report of Condition in a newspaper. However, state-chartered banks should consult with their state banking authorities concerning the applicability of any state publication requirements.

## RELEASE OF INDIVIDUAL BANK REPORTS

All schedules of the [FFIEC 051](#) Call Report submitted by each reporting bank, including the optional narrative statement at the end of the Call Report, are available to the public from the federal bank supervisory agencies with the exception of any amounts reported in Schedule RI-E, item 2.g, "FDIC deposit insurance assessments." Refer to the discussion of "Release of Individual Bank Reports" in the General Instructions section of the instructions for the FFIEC 031 and [FFIEC 041](#) Call Reports for information on items reported in the [FFIEC 041](#) Call Report before the March 2017 implementation of the [FFIEC 051](#) Call Report that are not publicly disclosed on an individual bank basis.

All publicly available individual institution data are posted on the FFIEC's Central Data Repository (CDR) Public Data Distribution Web site (<https://cdr.ffiec.gov/public/>) as soon as the data have been submitted, placed in an accepted status, and prepared for publication in the CDR.

A reporting institution may request confidential treatment for some or all of the portions of the Call Report that will be made publicly available if the institution is of the opinion that disclosure of specific commercial or financial information in the report would likely cause substantial harm to its competitive position. In certain limited circumstances, the reporting institution's primary federal supervisor may approve confidential treatment of some or all of the items for which such treatment has been requested if the institution has clearly provided a compelling justification for the request. A request for confidential treatment must be submitted in writing prior to the submission of the report. The written request must identify the specific items for which confidential treatment is requested, provide justification for the confidential treatment requested for the identified items, and demonstrate the specific nature of the harm that would result from public release of the information. Merely stating that competitive harm would result is not sufficient. Information for which confidential treatment is requested may subsequently be released by the reporting institution's primary federal supervisor in accordance with the terms of [12 CFR 4.16](#) (OCC), [12 CFR 261.16](#) (Federal Reserve Board), [12 CFR 309.6](#) (FDIC), or as otherwise provided by law.

## APPLICABILITY OF U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES TO REGULATORY REPORTING REQUIREMENTS

For recognition and measurement purposes, the regulatory reporting requirements applicable to the Call Report shall conform to U.S. generally accepted accounting principles (GAAP) as set forth in the FASB's Accounting Standards Codification. Nevertheless, because the Call Report is an institution-level report, each institution (together with its consolidated subsidiaries) is considered an "accounting entity" for regulatory reporting purposes and normally must prepare its Call Report on a separate entity basis.

A bank or savings association that is a private company, as defined in U.S. GAAP (and discussed in the Glossary entry for "public business entity"), is permitted to use private company accounting alternatives issued by the FASB when preparing its Call Reports, except as provided in [Section 37\(a\) of the Federal Deposit Insurance Act \(12 U.S.C. 1831n\(a\)\)](#) as described in the following sentence. If the banking agencies determine that a particular accounting principle within U.S. GAAP, including a private company accounting alternative, is inconsistent with the statutorily specified supervisory objectives, the banking agencies may prescribe an accounting principle for regulatory reporting purposes that is no less stringent than U.S. GAAP. In such a situation, an institution would not be permitted to use that particular private

company accounting alternative or other accounting principle within U.S. GAAP for Call Report purposes. The banking agencies would provide appropriate notice if they were to disallow any such accounting alternative or accounting principle under the statutory process.

When reporting events and transactions not covered in principle by Call Report instructions or authoritative U.S. GAAP standards, institutions are encouraged to discuss the event or transaction with their primary federal bank supervisory agency. However, regardless of whether an institution discusses a reporting issue with its supervisory agency, when an institution's supervisory agency's interpretation of how U.S. GAAP should be applied to a specified event or transaction (or series of related events or transactions) differs from the institution's interpretation, the supervisory agency may require the institution to reflect the event(s) or transaction(s) in its Call Report in accordance with the agency's interpretation and to amend previously submitted reports.

The Call Report instructions contain certain specific reporting guidance that falls within the range of acceptable practice under U.S. GAAP. These instructions have been adopted to achieve safety and soundness and other public policy objectives and to ensure comparability. Should the need arise in the future, other specific reporting guidance that falls within the range of U.S. GAAP may be issued. Current Call Report instructions providing such specific reporting guidance include the nonaccrual rules in the Glossary entry for "Nonaccrual Status," the treatment of impaired collateral dependent loans in the Glossary entry for "Loan Impairment," the Glossary entry for the "Allowance for Loan and Lease Losses" which references the [2006 Interagency Policy Statement](#) on this subject, the separate entity method of accounting for income taxes of depository institution subsidiaries of holding companies in the Glossary entry for "Income Taxes," and the treatment of property dividends in the Glossary entry for "Dividends."

Certain provisions of AICPA Statement of Position (SOP) No. 92-3, "Accounting for Foreclosed Assets," have been incorporated into the Glossary entry for "Foreclosed Assets," which institutions must follow for Call Report purposes, even though SOP 92-3 was rescinded subsequent to the issuance of ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"). The application of these provisions of SOP 92-3 represents prevalent practice in the banking industry and is consistent with safe and sound banking practices and the accounting objectives set forth in [Section 37\(a\) of the Federal Deposit Insurance Act \(12 U.S.C. 1831n\(a\)\)](#).

There may be areas in which an institution wishes more technical detail on the application of accounting standards and procedures to the requirements of these instructions. Such information may often be found in the appropriate entries in the Glossary section of these instructions or, in more detail, in the U.S. GAAP standards. Selected sections of the U.S. GAAP standards are referenced in the instructions where appropriate. The accounting entries in the Glossary are intended to serve as an aid in specific reporting situations rather than as a comprehensive statement on accounting for depository institutions.

### ***Subsequent Events***

Subsequent events are events or transactions that occur after the Call Report balance sheet date, e.g., December 31, but before the Call Report is filed. Consistent with ASC Topic 855, Subsequent Events (formerly FASB Statement No. 165, "Subsequent Events"), an institution shall recognize in the Call Report the effects of all subsequent events (not addressed in other ASC Topics) that provide additional evidence about conditions that existed at the date of the Call Report balance sheet (Schedule RC), including the estimates inherent in the process of preparing the Call Report, e.g., a loss that has been incurred but not yet confirmed as of the Call Report balance sheet date.

## ACCRUAL BASIS REPORTING

All banks, regardless of size, shall prepare all schedules of the Call Report on an accrual basis. However, banks may report particular accounts on a cash basis, except for the four listed below, if the results would not materially differ from those obtained using an accrual basis.

All banks *must* report the following on an accrual basis:

- (1) Income from installment loans;
- (2) Amortization of premiums paid on held-to-maturity and available-for-sale securities (see the Glossary entry for "premiums and discounts");
- (3) Income taxes (see the Glossary entry for "income taxes"); and
- (4) Depreciation on premises and fixed assets.

All banks shall establish and maintain an allowance for loan and lease losses at a level that is appropriate to cover estimated credit losses associated with its held-for-investment loan and lease portfolio.

Accounting for loan and lease losses is discussed in more detail in the Glossary entries for "allowance for loan and lease losses" and "loan impairment."

No interest or discount shall be accrued on any asset which must be carried in nonaccrual status. Refer to the Glossary entry for "nonaccrual status" for further information.

## MISCELLANEOUS GENERAL INSTRUCTIONS

### ***Rounding***

On the [FFIEC 051](#) Call Report, all dollar amounts must be reported in thousands, with the figures rounded to the nearest thousand. Items less than \$500 will be reported as zero.

Rounding may result in details not adding to their stated totals. The only permissible differences between totals and the sums of their components are those attributable to the mechanics of rounding.

On the Consolidated Report of Condition, Schedule RC, item 12, "Total assets," and Schedule RC, item 29, "Total liabilities and equity capital," which must be equal, must be derived.

### ***Negative Entries***

Except for the items listed below, negative entries are not appropriate on the Consolidated Report of Condition and shall not be reported. Hence, assets with credit balances must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate, and in accordance with these instructions. The Consolidated Report of Condition items for which negative entries may be made, if appropriate, are:

- (1) Schedule RC:
  - item 8, "Investments in unconsolidated subsidiaries and associated companies,"
  - item 9, "Direct and indirect investments in real estate ventures,"
  - item 26.a, "Retained earnings,"
  - item 26.b, "Accumulated other comprehensive income,"
  - item 26.c, "Other equity capital components,"
  - item 27.a, "Total bank equity capital," and
  - item 28, "Total equity capital."

## SCHEDULE RC-B – SECURITIES

### General Instructions

Items 1 through 8 of this schedule have four columns for information on securities: two columns for held-to-maturity securities and two columns for available-for-sale securities.<sup>1</sup> Report the amortized cost and fair value of held-to-maturity securities in columns A and B, respectively. Report the amortized cost and fair value of available-for-sale debt securities in columns C and D, respectively. For institutions that have not adopted FASB [Accounting Standards Update No. 2016-01](#) (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, information on equity securities with readily determinable fair values is reported in the columns for available-for-sale securities only (columns C and D). For these equity securities, historical cost (not amortized cost) is reported in column C and fair value is reported in column D. Institutions that have adopted ASU 2016-01 should report their holdings of equity securities with readily determinable fair values not held for trading in Schedule RC, item 2.c, not in Schedule RC-B. For further information on ASU 2016-01, see the Note preceding the instructions for Schedule RC-B, item 7.

Exclude from this schedule all securities held for trading and debt securities the bank has elected to report at fair value under a fair value option even if bank management did not acquire the securities principally for the purpose of selling them in the near term. Securities held for trading and debt securities reported under a fair value option are to be reported in Schedule RC, item 5, "Trading assets." Institutions must report whether they utilize the fair value option to measure any of their assets or liabilities in Schedule SU, item 3, and, if appropriate, information about their fair value option assets and liabilities in the corresponding subitems.

In general, amortized cost is the purchase price of a debt security adjusted for amortization of premium or accretion of discount if the debt security was purchased at other than par or face value. (See the Glossary entry for "premiums and discounts.") As defined in ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, "Fair Value Measurements"), fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." For further information, see the Glossary entry for "fair value."

The preferred method for reporting purchases and sales of securities is as of trade date. However, settlement date accounting is acceptable if the reported amounts would not be materially different. (See the Glossary entry for "trade date and settlement date accounting.")

For purposes of this schedule, the following events and transactions involving securities should be reported in the manner indicated below:

- (1) Purchases of securities under agreements to resell and sales of securities under agreements to repurchase – These transactions are not to be treated as purchases or sales of securities but as lending or borrowing (i.e., financing) transactions collateralized by these securities if the agreements meet the criteria for a borrowing set forth 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). For further information, see the Glossary entries for "transfers of financial assets" and "repurchase/resale agreements."

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<sup>1</sup> Available-for-sale debt securities are generally reported 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, Investments-Debt Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), (e.g., certain industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Consolidated Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables").

**General Instructions (cont.)**

- (2) Purchases and sales of participations in pools of securities – Similarly, these transactions are not to be treated as purchases or sales of the securities in the pool but as lending or borrowing (i.e., financing) transactions collateralized by the pooled securities if the participation agreements meet the criteria for a borrowing set forth in ASC Topic 860. For further information, see the Glossary entries for "transfers of financial assets" and "repurchase/resale agreements."
- (3) Pledged securities – Pledged securities that have not been transferred to the secured party should continue to be included in the pledging bank's holdings of securities that are reported in Schedule RC-B. If the bank has transferred pledged securities to the secured party, the bank should account for the pledged securities in accordance with ASC Topic 860.
- (4) Securities borrowed and lent – Securities borrowed and lent shall be reported on the balance sheet of either the borrowing or lending bank in accordance with ASC Topic 860. For further information, see the Glossary entries for "transfers of financial assets" and "securities borrowing/lending transactions."
- (5) Short sales of securities – Such transactions are to be reported as described in the Glossary entry for "short position."
- (6) Futures, forward, and option contracts – Such open contracts to buy or sell securities in the future are to be reported as derivatives. Institutions must report whether they have any derivative contracts in Schedule SU, item 1, and, if appropriate, information about their derivative contracts in the corresponding subitems.

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

- 1**        **U.S. Treasury securities.** Report in the appropriate columns the amortized cost and fair value of all U.S. Treasury securities not held for trading. Include all bills, certificates of indebtedness, notes, and bonds, including those issued under the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program and those that are "inflation-indexed."

Exclude all obligations of U.S. Government agencies. Also exclude detached Treasury security coupons and ex-coupon Treasury securities held as the result of either their purchase or the bank's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs (report in Schedule RC-B, item 6.a below). Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS" for additional information.

- 2**        **U.S. Government agency and sponsored agency obligations.** Report in the appropriate columns the amortized cost and fair value of all obligations of U.S. Government agencies and U.S. Government-sponsored agencies (excluding mortgage-backed securities) not held for trading.

Distinction between U.S. Government Agencies and U.S. Government-sponsored Agencies – For purposes of these reports, a U.S. Government agency is defined as an instrumentality of the U.S. Government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. Government. In contrast, a U.S. Government-sponsored agency is defined as an agency originally established or chartered by the U.S. Government to serve public purposes specified by the U.S. Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the U.S. Government.

## 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) brokered deposits;
- (2) cash management arrangements;
- (3) dealer reserve accounts;
- (4) hypothecated deposits;
- (5) letter of credit (for letters of credit sold for cash and travelers letters of credit);
- (6) overdraft;
- (7) pass-through reserve balances; and
- (8) reciprocal balances.

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 balances maintained to satisfy reserve balance requirements, 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) are not eligible to be reported under a fair value election.

## **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.
- (8) Cash payments received in connection with transfers of the reporting institution's other real estate owned that have been financed by the institution and do not qualify for sale accounting, which applicable accounting standards describe as a "liability," a "deposit," or a "deposit liability." Until a transfer qualifies for sale accounting, these cash payments shall be reported in Schedule RC-G, item 4, "All other liabilities." See the Glossary entry for "foreclosed assets" for further information.

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.

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

**1.e**  
(cont.)    In other states, banks must participate in a state public deposits program in order to receive deposits from the state or from political subdivisions within the state in amounts that would not be covered by federal deposit insurance. Under state law in such states, the value of the securities a bank must pledge to the state is calculated annually, but represents only a percentage of the uninsured portion of its public deposits. Institutions participating in the state program may potentially be required to share in any loss to public depositors incurred in the failure of another participating institution. As long as the value of the securities pledged to the state exceeds the calculated requirement, all of the bank's uninsured public deposits are protected from loss under the operation of the state program if the bank fails and, therefore, all of the uninsured public deposits are considered "preferred deposits." For example, a bank participating in a state public deposits program has \$1,600,000 in public deposits under the program from four political subdivisions and \$700,000 of this amount is uninsured, given the currently applicable \$250,000 deposit insurance limit. The bank's most recent calculation indicates that it must pledge securities with a value of at least \$77,000 to the state in order to participate in the state program. The bank has pledged securities with an actual value of \$80,000. The bank should report the \$700,000 in uninsured public deposits as "preferred deposits."

**1.f**    **Estimated amount of deposits obtained through the use of deposit listing services that are not brokered deposits.** Report in this Memorandum item the estimated amount of all nonbrokered deposits obtained through the use of deposit listing services included in total deposits (Schedule RC-E, sum of item 7, columns A and C), regardless of size or type of deposit instrument.

The objective of this Memorandum item is not to capture all deposits obtained through the Internet, such as deposits that a bank receives because a person or entity has seen the rates the bank has posted on its own Web site or on a rate-advertising Web site that has picked up and posted the bank's rates on its site without the bank's authorization. Rather, the objective of this Memorandum item is to collect the estimated amount of deposits obtained as a result of action taken by the bank to have its deposit rates listed by a listing service, and the listing service is compensated for this listing either by the bank whose rates are being listed or by the persons or entities who view the listed rates. A bank should establish a reasonable and supportable estimation process for identifying listing service deposits that meet these reporting parameters and apply this process consistently over time. However, for those nonbrokered deposits acquired through the use of a deposit listing service that offers deposit tracking, the actual amount of listing service deposits, rather than an estimate, should be reported.

When a nonbrokered time deposit obtained through the use of a deposit listing service is renewed or rolled over at maturity, the time deposit should continue to be reported in this item as a listing service deposit if the reporting institution continues to have its time deposit rates listed by a listing service and the listing service is compensated for this listing as described above. In contrast, if the reporting institution no longer has its time deposit rates listed by a listing service when a nonbrokered listing service time deposit matures and is renewed or rolled over by the depositor, the time deposit would no longer need to be reported as a listing service deposit after the renewal or rollover. The reporting institution should continue to report nonbrokered listing service deposits other than time deposits in this item as long as the reporting institution continues to have its deposit rates for the same type of deposit (e.g., NOW account, money market deposit account) listed by a listing service and the listing service is compensated for this listing as described above.

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

**1.f**  
(cont.) If the reporting institution has merged with or acquired another institution that had obtained nonbrokered deposits through the use of deposit listing services, these deposits would continue to be regarded as listing service deposits after the merger or acquisition. In this situation, the reporting institution should determine whether it must continue to report these deposits as listing service deposits after the merger or acquisition in accordance with the guidance in the preceding paragraph.

Exclude from this item all brokered deposits reported in Schedule RC-E, Memorandum item 1.b.

A deposit listing service is a company that compiles information about the interest rates offered on deposits, such as certificates of deposit, by insured depository institutions. A particular company could be a deposit listing service (compiling information about certificates of deposits) as well as a deposit broker (facilitating the placement of certificates of deposit). A deposit listing service is not a deposit broker if all of the following four criteria are met:

- (1) The listing service is not involved in placing deposits. Any funds to be invested in deposit accounts are remitted directly by the depositor to the insured depository institution and not, directly or indirectly, by or through the listing service.
- (2) The person or entity providing the listing service is compensated solely by means of subscription fees (i.e., the fees paid by subscribers as payment for their opportunity to see the rates gathered by the listing service) and/or listing fees (i.e., the fees paid by depository institutions as payment for their opportunity to list or “post” their rates). The listing service does not require a depository institution to pay for other services offered by the listing service or its affiliates as a condition precedent to being listed.
- (3) The fees paid by depository institutions are flat fees: they are not calculated on the basis of the number or dollar amount of deposits accepted by the depository institution as a result of the listing or “posting” of the depository institution’s rates.
- (4) In exchange for these fees, the listing service performs no services except (A) the gathering and transmission of information concerning the availability of deposits; and/or (B) the transmission of messages between depositors and depository institutions (including purchase orders and trade confirmations). In publishing or displaying information about depository institutions, the listing service must not attempt to steer funds toward particular institutions (except that the listing service may rank institutions according to interest rates and also may exclude institutions that do not pay the listing fee). Similarly, in any communications with depositors or potential depositors, the listing service must not attempt to steer funds toward particular institutions.

NOTE: Institutions should report their total reciprocal deposits in Schedule RC-E, Memorandum item 1.g, without regard to whether these reciprocal deposits are reported as brokered deposits in Schedule RC-E, Memorandum items 1.b through 1.d, and brokered reciprocal deposits in Schedule RC-O, item 9 and, if applicable, item 9.a, in accordance with the reporting approaches described in the Call Report Supplemental Instructions for December 2018.

**1.g**    **Total reciprocal deposits (as of the report date).** Report in this Memorandum item the total amount of the reporting institution’s reciprocal deposits as of the report date, i.e., the deposits included in the institution’s total deposits (Schedule RC-E, sum of item 7, columns A and C) that are deposits received through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks.

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

**1.g**  
(cont.)    For an institution that is not well capitalized or not well rated, the amount reported in this Memorandum item will be used to compute the institution's average amount of reciprocal deposits held at quarter-end during the last four quarters preceding the quarter that the institution fell below well capitalized or well rated. This average will be used to determine whether the institution meets the third prong of the definition of "agent institution" under Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. Section 202 allows an institution to meet the "agent institution" definition, and exclude certain reciprocal deposits from its brokered deposits, if it maintains its reciprocal deposits below the four-quarter average mentioned above.

For purposes of this Memorandum item, consistent with the definitions in Section 202:

- "Covered deposit" means a deposit that (i) is submitted for placement through a deposit placement network by the institution; and (ii) does not consist of funds that were obtained for the institution, directly or indirectly, by or through a deposit broker before submission for placement through a deposit placement network.
- "Deposit placement network" means a network in which an insured depository institution participates, together with other insured depository institutions, for the processing and receipt of reciprocal deposits.
- "Network member bank" means an insured depository institution that is a member of a deposit placement network.

**2**    **Components of total nontransaction accounts.** Memorandum item 2 divides total nontransaction accounts into two major categories: savings deposits (Memorandum items 2.a.(1) and 2.a.(2)) and time deposits (Memorandum items 2.b, 2.c, and 2.d). The sum of Memorandum items 2.a.(1) and 2.a.(2) equals total savings deposits. The sum of Memorandum items 2.b, 2.c, and 2.d equals total time deposits. The sum of Memorandum items 2.a.(1) and 2.a.(2) (savings deposits) and Memorandum items 2.b, 2.c, and 2.d (time deposits) equals total nontransaction deposits reported in item 7, column C, above.

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

- 4.a** Exclude from this item:
- (cont.)
- HFS loans secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
  - HFS 1-4 family residential construction loans reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures.
- These HFS loans should be reported in Schedule RC-R, Part II, item 4.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFS loans should be reported in Schedule RC-R, Part II, item 4.d.
- *In column C—0% risk weight*, include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans collateralized by deposits at the reporting institution.
  - *In column G—20% risk weight*, include the carrying value of the guaranteed portion of HFS Federal Housing Administration (FHA) and Veterans Administration (VA) mortgage loans included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of such an exposure covered by an FDIC loss-sharing agreement.
  - *In column H—50% risk weight*, include the carrying value of HFS loans secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of \$1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury’s Home Affordable Mortgage Program (HAMP)). Also include loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any exposure that meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.a, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

**Notes:**

1. Refer to the definition of “*residential mortgage exposure*” in §.2 of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in §.32 of the regulatory capital rules.
2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:
  - A property is owner-occupied or rented;
  - The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.
  - The loan is not 90 days or more past due or on nonaccrual;
  - The loan is not restructured or modified (except for loans restructured solely pursuant to the U.S. Treasury’s HAMP).

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

**4.a**  
(cont.)

- *If the bank holds the first lien and junior lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the bank must combine the exposures and treat them as a single first-lien residential mortgage exposure.*
- 3. *A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.*
- 4. *A residential mortgage loan of \$1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.*
- *In column I–100% risk weight, include the carrying value of HFS loans that are residential mortgage exposures reported in Schedule RC, item 4.a, that are not included in columns C, G, H, or R. Include HFS loans that are junior lien residential mortgage exposures if the bank does not hold the first lien on the property, except the portion of any junior lien residential mortgage exposure that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Include HFS loans that are residential mortgage exposures that have been restructured or modified, except:*
  - *Those loans restructured or modified solely pursuant to the U.S. Treasury’s HAMP, and*
  - *The portion of any restructured or modified residential mortgage exposure that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.*
- *In columns R and S–Application of Other Risk-Weighting Approaches, include the portion of any HFS exposure reported in Schedule RC, item 4.a, that meets the definition of residential mortgage exposure or statutory multifamily mortgage and is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFS exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 4.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.*

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

- 5.a** Exclude from this item:
- (cont.)
- Loans HFI secured by multifamily residential properties included in Schedule RC-C, Part I, item 1.d, that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage* and are not securitization exposures, and
  - 1-4 family residential construction loans HFI reported in Schedule RC-C, Part I, item 1.a.(1), that are not securitization exposures,
- These loans should be reported in Schedule RC-R, Part II, item 5.c, if they are past due 90 days or more or on nonaccrual. Otherwise, these HFI loans should be reported in Schedule RC-R, Part II, item 5.d.
- *In column C—0% risk weight*, include the portion of any HFI exposure that meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans and leases HFI collateralized by deposits at the reporting institution.
  - *In column G—20% risk weight*, include the carrying value of the guaranteed portion of FHA and VA mortgage loans HFI included in Schedule RC-C, Part I, item 1.c.(2)(a). Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* or *statutory multifamily mortgage* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans HFI covered by an FDIC loss-sharing agreement.
  - *In column H—50% risk weight*, include the carrying value of loans HFI secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a *residential mortgage exposure* and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of \$1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury’s Home Affordable Mortgage Program (HAMP)). Also include loans HFI that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Also include the portion of any loan HFI which meets the definition of *residential mortgage exposure* reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

**Notes:**

1. Refer to the definition of “residential mortgage exposure” in §.2 of the regulatory capital rules, and refer to the requirements for risk weighting residential mortgage loans in §.32 of the regulatory capital rules.

2. A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:

- A property is owner-occupied or rented;
- The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral.
- The loan is not 90 days or more past due or on nonaccrual;
- The loan is not restructured or modified (except for loans restructured solely pursuant to the U.S. Treasury’s HAMP).

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

- 5.a**  
(cont.)
- *If the bank holds the first lien and junior lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the bank must combine the exposures and treat them as a single first-lien residential mortgage exposure.*
  - 3. *A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.*
  - 4. *A residential mortgage loan of \$1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.*
- *In column I–100% risk weight, include the carrying value of loans HFI related to residential mortgages exposures reported in Schedule RC, item 4.b, that are not included in columns C, G, H, or R. Include loans HFI that are junior lien residential mortgage exposures if the bank does not hold the first lien on the property, except the portion of any junior lien residential mortgage exposure that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Also include loans HFI that are residential mortgage exposures that have been restructured or modified, except*
    - *Those loans restructured or modified solely pursuant to the U.S. Treasury’s HAMP, and*
    - *The portion of any restructured or modified residential mortgage exposure that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.*
  - *In columns R and S–Application of Other Risk-Weighting Approaches, include the portion of any loan HFI reported in Schedule RC, item 4.b, that meets the definition of residential mortgage exposure or statutory multifamily mortgage and is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the bank chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent. For information on the reporting of such HFI exposures in columns R and S, refer to the instructions for Schedule RC-R, Part, II, item 5.a, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.*
- 5.b**
- High volatility commercial real estate exposures.** Report in column A the portion of the carrying value of loans HFI reported in Schedule RC, item 4.b, that are high volatility commercial real estate (HVCRE) exposures,<sup>13</sup> including HVCRE exposures that are 90 days or more past due or in nonaccrual status.
- *In column C–0% risk weight, include the portion of any HVCRE exposure included in loans and leases HFI, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE loans HFI collateralized by deposits at the reporting institution.*
  - *In column G–20% risk weight, include the portion of any HVCRE exposure included in loans and leases HFI which is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.*

<sup>13</sup> See the instructions for Schedule RC-R, Part II, item 4.b, above for the definition of HVCRE exposure.

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

- 29**        **LESS: Excess allowance for loan and lease losses.** Report the amount, if any, by which the bank's allowance for loan and lease losses for regulatory capital purposes exceeds 1.25 percent of the bank's risk-weighted assets base reported in Schedule RC-R, Part II, item 26.

A bank's allowance for loan and lease losses for regulatory capital purposes equals Schedule RC, item 4.c, "Allowance for loan and lease losses," less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures." If a bank's allowance for loan and lease losses for regulatory capital purposes, as defined in the preceding sentence, exceeds 1.25 percent of Schedule RC-R, Part II, item 26, the amount to be reported in this item equals the bank's allowance for loan and lease losses for regulatory capital purposes less Schedule RC-R, Part I, item 30, "Allowance for loan and lease losses includable in tier 2 capital."

The sum of the amounts reported in Schedule RC-R, Part I, item 30, plus Schedule RC-R, Part II, item 29, must equal Schedule RC, item 4.c, less any allocated transfer risk reserve included in Schedule RC, item 4.c, plus Schedule RC-G, item 3.

- 30**        **LESS: Allocated transfer risk reserve.** Report the entire amount of any allocated transfer risk reserve (ATRR) the reporting bank is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act ([Subpart D of Federal Reserve Regulation K](#), [Part 347 of the FDIC's Rules and Regulations](#), and [12 CFR Part 28, Subpart C \(OCC\)](#)), and in any guidelines, letters, or instructions issued by the agencies. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment (which is included in Schedule RC, item 4.c, "Allowance for loan and lease losses") plus the ATRR for assets other than loans and leases held for investment.
- 31**        **Total risk-weighted assets.** Report the amount derived by subtracting items 29 and 30 from item 28.

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

- 1    Current credit exposure across all derivative contracts covered by the regulatory capital rules.** Report the total current credit exposure amount after considering applicable legally enforceable bilateral netting agreements for all interest rate, foreign exchange rate, gold, credit (investment grade reference assets), credit (non-investment grade reference assets), equity, precious metals (except gold), and other derivative contracts that are over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) or derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) and are covered by §.34 and §.35 of the regulatory capital rules, respectively. Banks that are subject to the market risk capital rule should exclude all covered positions subject to that rule, except for foreign exchange derivatives that are outside of the trading account.<sup>28</sup> Foreign exchange derivatives that are outside of the trading account and all over-the-counter derivatives continue to have a counterparty credit risk capital charge and, therefore, a current credit exposure amount for these derivatives should be reported in this item.

Include the current credit exposure arising from credit derivative contracts where the bank is the protection purchaser (beneficiary) and the credit derivative contract is either (a) defined as a covered position under the market risk capital rule or (b) not defined as a covered position under the market risk capital rule and not recognized as a guarantee for regulatory capital purposes.

As discussed further below, current credit exposure (sometimes referred to as the replacement cost) is the fair value of a derivative contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero.

Exclude the positive fair value of derivative contracts that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules. Such derivative contracts include written option contracts, including so-called “derivative loan commitments,” i.e., a lender’s commitment to originate a mortgage loan that will be held for resale. Written option contracts that are, in substance, financial guarantees, are discussed below. For “derivative loan commitments,” which are reported as over-the-counter written option contracts in Schedule RC-L, if the fair value of such a commitment is positive and reported as an asset in Schedule RC, item 11, this positive fair value should be reported in the appropriate risk-weight category in Schedule RC-R, Part II, item 8, and not as a component of the current credit exposure to be reported in this item.

Purchased options held by the reporting bank that are traded on an exchange are covered by the regulatory capital rules unless such options are subject to a daily variation margin. Variation margin is defined as the gain or loss on open positions, calculated by marking to market at the end of each trading day. Such gain or loss is credited or debited by the clearing house to each clearing member’s account, and by members to their customers’ accounts.

If a written option contract acts as a financial guarantee that does not meet the definition of a *securitization exposure* as described in §.2 of the regulatory capital rules, then for risk-based capital purposes the notional amount of the option should be included in Schedule RC-R, Part II, item 17, column A, as part of “All other off-balance sheet liabilities.” An example of such a contract occurs when the reporting bank writes a put option to a second bank that has a loan to a third party. The strike price would be the equivalent of the par value of the loan. If

<sup>28</sup> For further information on the market risk capital rule and the meaning of the term “covered position,” refer to the discussion of “Banks That Are Subject to the Market Risk Capital Rule” in the General Instructions for Schedule RC-R, Part II, in the instructions for the FFIEC 031 and FFIEC 041 Call Reports.

**Banks, U.S. and Foreign (cont.):**

For purposes of the Consolidated Reports of Condition and Income, the term "U.S. branches and agencies of foreign banks" covers:

- (1) the U.S. branches and agencies of foreign banks;
- (2) the U.S. branches and agencies of foreign official banking institutions, including central banks, nationalized banks, and other banking institutions owned by foreign governments; and
- (3) 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.

Banks in foreign countries –The institutional composition of "banks in foreign countries" includes:

- (1) the foreign-domiciled head offices and branches of:
  - (a) foreign commercial banks (including foreign-domiciled banking subsidiaries of U.S. banks and Edge and Agreement corporations);
  - (b) foreign savings banks or discount houses;
  - (c) nationalized banks not functioning either as central banks, as foreign development banks, or as banks of issue;
  - (d) other similar foreign institutions that accept short-term deposits; and
- (2) the foreign-domiciled branches of U.S. banks.

See also "International Banking Facility (IBF)."

**Banks in Foreign Countries:** See "banks, U.S. and foreign."

**Bill-of-Lading Draft:** See "commodity or bill-of-lading draft."

**Brokered Deposits:** As defined in [Section 337.6\(a\) of the FDIC's regulations](#), the term "brokered deposit" means "any deposit that is obtained, directly or indirectly, by or through any deposit broker." Brokered deposits include both those in which the entire beneficial interest in a given bank deposit account or instrument is held by a single depositor and those in which the deposit broker sells participations in a given bank deposit account or instrument to one or more investors.

The meaning of the term "brokered deposit" depends on the meaning of the term "deposit broker." The term "deposit broker" is defined broadly in [Section 29\(g\) of the Federal Deposit Insurance Act](#) and [Section 337.6\(a\) of the FDIC's regulations](#) and means:

- (1) any person engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions, or the business of placing deposits with insured depository institutions for the purpose of selling interests in those deposits to third parties, and
- (2) an agent or trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan.

[Section 337.6\(a\) of the FDIC's regulations](#) further provides that the definition of "deposit broker" is subject to a list of exceptions. According to the list of exceptions, the following parties are not treated as a deposit broker:

- (1) an insured depository institution, with respect to funds placed with that depository institution;
- (2) an employee of an insured depository institution, with respect to funds placed with the employing depository institution;
- (3) a trust department of an insured depository institution, if the trust or other fiduciary relationship in question has not been established for the primary purpose of placing funds with insured depository institutions;
- (4) the trustee of a pension or other employee benefit plan, with respect to funds of the plan;

**Brokered Deposits (cont.):**

- (5) a person acting as a plan administrator or an investment adviser in connection with a pension plan or other employee benefit plan provided that that person is performing managerial functions with respect to the plan;
- (6) the trustee of a testamentary account;
- (7) the trustee of an irrevocable trust (other than a trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan), as long as the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;
- (8) a trustee or custodian of a pension or profit-sharing plan qualified under [Section 401\(d\)](#) or [403\(a\) of the Internal Revenue Code of 1986](#);
- (9) an agent or nominee whose primary purpose is not the placement of funds with depository institutions;<sup>1</sup> or
- (10) an insured depository institution acting as an intermediary or agent of a U.S. government department or agency for a government sponsored minority or women-owned depository institution deposit program.

Notwithstanding these ten exceptions, the term “deposit broker” (as amended on September 23, 1994, by the [Riegle Community Development and Regulatory Improvement Act of 1994](#)) includes any insured depository institution that is not well capitalized (as defined in [Section 38 of the Federal Deposit Insurance Act, Prompt Corrective Action](#)), and any employee of any such institution, which engages, directly or indirectly, in the solicitation of deposits by offering rates of interest (with respect to such deposits) which are significantly higher than the prevailing rates of interest on deposits offered by other insured depository institutions in such depository institution's normal market area.<sup>2</sup> Only those deposits accepted, renewed, or rolled over on or after June 16, 1992, in connection with this form of deposit solicitation are to be reported as brokered deposits. For further information on the solicitation and acceptance of brokered deposits by insured depository institutions, see [Section 337.6\(b\) of the FDIC's regulations](#).

In addition, deposit instruments of the reporting bank that are sold to brokers, dealers, or underwriters (including both bank affiliates of the reporting bank and nonbank subsidiaries of the reporting bank's parent holding company) who then reoffer and/or resell these deposit instruments to one or more investors, regardless of the minimum denomination which the investor must purchase, are considered brokered deposits.

In some cases, brokered deposits are issued in the name of the depositor whose funds have been placed in a bank by a deposit broker. In other cases, a bank's deposit account records may indicate that the funds have been deposited in the name of a third party custodian for the benefit of others (e.g., “XYZ Corporation as custodian for the benefit of others,” or “Custodial account of XYZ Corporation”). Unless the custodian meets one of the specific exceptions from the “deposit broker” definition in [Section 29 of the Federal Deposit Insurance Act](#) and [Section 337.6\(a\) of the FDIC's regulations](#), these custodial accounts should be reported as brokered deposits in Schedule RC-E, Deposit Liabilities.

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<sup>1</sup> For purposes of applying this ninth exception from the definition of deposit broker, “primary purpose” does not mean “primary activity,” but should be construed as “primary intent.” Whether the “primary purpose” exception applies should be determined based on the meaning of this exception as stated in the FDIC's regulations and as interpreted in the FDIC's guidance.

<sup>2</sup> Any deposit accepted, renewed, or rolled over by a well capitalized institution before September 23, 1994, in connection with this form of deposit solicitation should continue to be reported as a brokered deposit as long as the deposit remains outstanding under the terms in effect before September 23, 1994. Notwithstanding the amendment to the “deposit broker” definition, all institutions that obtain deposits, directly or indirectly, by or through any other deposit broker must report such funds as brokered deposits in the Consolidated Report of Condition.

**Commercial Paper:** Commercial paper consists of short-term negotiable promissory notes issued in the United States by commercial businesses, including finance companies and banks. Commercial paper usually matures in 270 days or less and is not collateralized. Commercial paper may be backed by a standby letter of credit from a bank, as in the case of documented discounted notes. Holdings of commercial paper are to be reported as "securities" in Schedule RC-B, normally in item 6, "Other debt securities," unless held for trading and therefore reportable in Schedule RC, item 5, "Trading assets."

**Commodity or Bill-of-Lading Draft:** A commodity or bill-of-lading draft is a draft that is issued in connection with the shipment of goods. If the commodity or bill-of-lading draft becomes payable only when the shipment of goods against which it is payable arrives, it is an arrival draft. Arrival drafts are usually forwarded by the shipper to the collecting depository institution with instructions to release the shipping documents (e.g., bill of lading) conveying title to the goods only upon payment of the draft. Payment, however, cannot be demanded until the goods have arrived at the drawee's destination. Arrival drafts provide a means of insuring payment of shipped goods at the time that the goods are released.

**Common Stock of Unconsolidated Subsidiaries, Investments in:** See "equity method of accounting" and "subsidiaries."

**Continuing Contract:** See "federal funds transactions."

**Corporate Joint Venture:** See "subsidiaries."

**Corrections of Accounting Errors:** See "accounting changes."

**Coupon Stripping, Treasury Receipts, and STRIPS:** Coupon stripping occurs when a security holder physically detaches unmatured coupons from the principal portion of a security and sells either the detached coupons or the ex-coupon security separately. (Such transactions are generally considered by federal bank supervisory agencies to represent "improper investment practices" for banks.) In accounting for such transactions, the carrying amount of the security must be allocated between the ex-coupon security and the detached coupons based on their relative fair values at the date of the sale in accordance with 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). (See the Glossary entry for "transfers of financial assets.")

Detached U.S. Government security coupons and ex-coupon U.S. Government securities that are held for purposes other than trading, whether resulting from the coupon stripping activities of the reporting bank or from its purchase of stripped securities, shall be reported as "Other domestic debt securities" in Schedule RC-B, item 6.a. The amount of any discount or premium relating to the detached coupons or ex-coupon securities must be amortized. (See the Glossary entry for "premiums and discounts.")

A variation of coupon stripping has been developed by several securities firms which have marketed instruments with such names as CATS (Certificates of Accrual on Treasury Securities), TIGR (Treasury Investment Growth Receipts), COUGAR (Certificates on Government Receipts), LION (Lehman Investment Opportunity Notes), and ETR (East Treasury Receipts). A securities dealer purchases U.S. Treasury securities, delivers them to a trustee, and sells receipts representing the rights to future interest and/or principal payments on the U.S. Treasury securities held by the trustee. Such Treasury receipts are not an obligation of the U.S. Government and, when held for purposes other than trading, shall be reported as "Other domestic debt securities" in Schedule RC-B, item 6.a. The discount on these Treasury receipts must be accreted.

Under a program called Separate Trading of Registered Interest and Principal of Securities (STRIPS), the U.S. Treasury has issued certain long-term note and bond issues that are maintained in the book-entry system operated by the Federal Reserve Banks in a manner that permits separate trading and ownership of the interest and principal payments on these issues. Even after the interest or principal portions of U.S. Treasury STRIPS have been separately traded, they remain obligations of the

**Coupon Stripping, Treasury Receipts, and STRIPS (cont.):**

U.S. Government. STRIPS held for purposes other than trading shall be reported as U.S. Treasury securities in Schedule RC-B, item 1. The discount on separately traded portions of STRIPS must be accreted.

Detached coupons, ex-coupon securities, Treasury receipts, and U.S. Treasury STRIPS held for trading purposes shall be reported at fair value in Schedule RC, item 5.

**Custody Account:** A custody account is one in which securities or other assets are held by a bank on behalf of a customer under a safekeeping arrangement. Assets held in such capacity are not to be reported in the balance sheet of the reporting bank nor are such accounts to be reflected as a liability. Assets of the reporting bank held in custody accounts at other banks are to be reported on the reporting bank's balance sheet in the appropriate asset categories as if held in the physical custody of the reporting bank.

**Dealer Reserve Account:** A dealer reserve account arises when a bank purchases at full face value a dealer's installment note receivables, but credits less than the full face value directly to the dealer's account. The remaining amount is credited to a separate dealer reserve account. That account is held by the bank as collateral for the installment notes and, for reporting purposes, is treated as a deposit in the appropriate items of Schedule RC-E. The bank will subsequently disburse to the dealer predetermined portions of the reserve as the purchased notes are paid in a timely manner.

For example, if a bank purchases \$100,000 in notes from a dealer for the full face amount (\$100,000) and pays to the dealer \$90,000 in cash or credits to his/her deposit account, the remaining \$10,000, which is held as collateral security, would be credited to the dealer reserve account.

See also "deposits."

**Debt Issuance Costs:** Debt issuance costs include the underwriting, legal, accounting, printing, and other direct costs incurred in connection with the issuance of debt. ASC Subtopic 835-30, Interest – Imputation of Interest, requires debt issuance costs associated with a recognized debt liability (not measured at fair value under a fair value option) to be presented as a direct deduction from the face amount of the related debt liability, similar to debt discounts. Debt issuance costs, like debt discounts, in effect reduce the proceeds of the borrowing, thereby increasing the effective interest rate on the debt.

For purposes of these reports, institutions should report debt issuance costs as a direct deduction from the appropriate balance sheet liability category in Schedule RC, e.g., item 16, "Other borrowed money," or item 19, "Subordinated notes and debentures." However, debt issuance costs associated with a recognized liability reported at fair value under a fair value option should be expensed as incurred.

Debt issuance costs should be amortized using the effective interest method. The amortization of debt issuance costs should be reported as interest expense in the income statement category appropriate to the related liability in Schedule RI, e.g., item 2.c, "Other interest expense."

**Deferred Compensation Agreements (cont.):**

Deferred compensation liabilities should be reported on the balance sheet in Schedule RC, item 20, "Other liabilities," and in Schedule RC-G, item 4, "All other liabilities." In the Call Reports for June and December, if this amount is greater than \$100,000 and exceeds 25 percent of the amount reported in Schedule RC-G, item 4, it should be reported in Schedule RC-G, item 4.b. The annual compensation expense (service component and interest component) related to deferred compensation agreements should be reported in the income statement in Schedule RI, item 7.a, "Salaries and employee benefits."

See also "bank-owned life insurance."

**Deferred Income Taxes:** See "income taxes."

**Defined Benefit Postretirement Plans:** The accounting and reporting standards for defined benefit postretirement plans, such as pension plans and health care plans, are set forth in ASC Topic 715, Compensation-Retirement Benefits (formerly FASB Statement No. 87, "Employers' Accounting for Pensions"; FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"; and FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"). ASC Topic 715 requires an institution that sponsors a single-employer defined benefit postretirement plan to recognize the funded status of each such plan on its balance sheet. The funded status of a benefit plan is measured as of the end of an institution's fiscal year as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation. An overfunded plan is recognized as an asset, which should be reported in Schedule RC-F, item 6, "All other assets," while an underfunded plan is recognized as a liability, which should be reported in Schedule RC-G, item 4, "All other liabilities."

An institution should measure the net period benefit cost of a defined benefit plan for a reporting period in accordance with ASC Subtopic 715-30 (formerly FASB Statement No. 87) for pension plans and ASC Subtopic 715-60 (formerly FASB Statement No. 106) for other postretirement benefit plans. This cost should be reported in Schedule RI, item 7.a, "Salaries and employee benefits." However, an institution must recognize certain gains and losses and prior service costs or credits that arise on a defined benefit plan during each reporting period, net of tax, as a component of other comprehensive income (Schedule RI-A, item 10) and, hence, accumulated other comprehensive income (AOCI) (Schedule RC, item 26.b). Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of a plan's net periodic benefit cost.

For further information on accounting for defined benefit postretirement plans, institutions should refer to ASC Topic 715.

Impact on Regulatory Capital – An institution that has made the AOCI opt-out election in Schedule RC-R, Part I, item 3.a, should reverse the effects on AOCI of ASC Subtopic 715-20 (formerly FASB Statement No. 158) for purposes of reporting and measuring the numerators and denominators for the leverage and risk-based capital ratios. The intent of the reversal is to neutralize for regulatory capital purposes the effects on AOCI of the application of ASC Subtopic 715-20. The instructions for Schedule RC-R, Part I, items 9.d and 26, and Schedule RC-R, Part II, item 8, provide guidance on how to report adjustments to Tier 1 capital and risk-weighted and total assets to reverse the effects of applying ASC Subtopic 715-20 for regulatory capital purposes.

**Demand Deposits:** See "deposits."

**Depository Institutions in the U.S.:** Depository institutions in the U.S. consist of:

- (1) U.S. branches and agencies of foreign banks;
- (2) U.S.-domiciled head offices and branches of U.S. banks, i.e.,
  - (a) national banks,
  - (b) state-chartered commercial banks,
  - (c) trust companies that perform a commercial banking business,
  - (d) industrial banks,
  - (e) private or unincorporated banks,
  - (f) Edge and Agreement corporations, and
  - (g) International Banking Facilities (IBFs) of U.S. banks; and
- (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 Consolidated 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,

**Deposits (cont.):**

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,

- (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 title 26](#) [the Internal Revenue Code].
- (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.

**Deposits (cont.):**

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.)

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 Consolidated 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](#) 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.

**Deposits (cont.):**

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.

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.):**

- (ii) The balance of deposits or accounts that otherwise meet the definition of time deposits, but from which payments may be made to third parties by means of a debit card, an automated teller machine, remote service unit or other electronic device, regardless of the number of payments made.

However, an account is not a transaction account merely by virtue of arrangements that permit the following types of transfers or withdrawals, regardless of the number:

- (i) Transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).
  - (ii) Transfers of funds from this account to another account of the same depositor at the same depository institution when made by mail, messenger, automated teller machine, or in person.
  - (iii) Withdrawals for payment directly to the depositor when made by mail, messenger, automated teller machine, in person, or by telephone (via check mailed to the depositor).
- (2) Nontransaction accounts – All deposits that are not transaction accounts (as defined above) are nontransaction accounts. Nontransaction accounts include: (a) savings deposits ((i) money market deposit accounts (MMDAs) and (ii) other savings deposits) and (b) time deposits ((i) time certificates of deposit and (ii) time deposits, open account). [Regulation D](#) no longer distinguishes between money market deposit accounts (MMDAs) and other savings deposits. However, these two types of accounts are defined below for purposes of these reports, which call for separate data on each in Schedule RC-E, Memorandum items 2.a.(1) and (2).

**NOTE:** Under the [Federal Reserve's current Regulation D](#), no transaction accounts, regardless of other characteristics, are defined as savings or time deposits. Thus, savings deposits as defined here, under the heading nontransaction accounts, constitute the entire savings deposit category. Likewise, time deposits, also defined here under nontransaction accounts, constitute the entire time deposits category.

- (a) Savings deposits are deposits with respect to which the depositor is not required by the deposit contract but may at any time be required by the depository institution to give written notice of an intended withdrawal not less than seven days before withdrawal is made, and that is not payable on a specified date or at the expiration of a specified time after the date of deposit.

The term savings deposit also means a deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or a money market deposit account (MMDA), that otherwise meets the requirements of the preceding paragraph and from which, under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make no more than six transfers and withdrawals, or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, to another account (including a transaction account) of the depositor at the same institution or to a third party by means of a preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order, or instruction; or by check, draft, debit card, or similar order made by the depositor and payable to third parties. Transfers from savings deposits for purposes of covering overdrafts (overdraft protection plans) are included under the withdrawal limits specified for savings deposits.

**Deposits (cont.):**

early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within those first six days. Such deposits or accounts that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

- (2) The remaining balance of a time deposit if a partial early withdrawal is made and the remaining balance is not subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. Such time deposits that meet the definition of a savings deposit shall be reported as savings deposits; otherwise they shall be reported as demand deposits.

Reporting of Retail Sweep Arrangements Affecting Transaction and Nontransaction Accounts – In an effort to reduce their reserve requirements, some banks have established “retail sweep arrangements” or “retail sweep programs.” In a retail sweep arrangement, a depository institution transfers funds between a customer’s transaction account(s) and that customer’s nontransaction account(s) (usually savings deposit account(s)) by means of preauthorized or automatic transfers, typically in order to reduce transaction account reserve requirements while providing the customer with unlimited access to the funds.

There are three key criteria for retail sweep programs to comply with the [Federal Reserve Regulation D](#) definitions of “transaction account” and “savings deposit:”

- (1) A depository institution must establish by agreement with its transaction account customer two legally separate accounts: a transaction account (a NOW account or demand deposit account) and a savings deposit account, including those sometimes called a “money market deposit account” or “MMDA”;
- (2) The swept funds must actually be moved from the customer’s transaction account to the customer’s savings deposit account on the official books and records of the depository institution as of the close of the business on the day(s) on which the depository institution intends to report the funds in question as savings deposits and not transaction accounts, and vice versa. In addition to actually moving the customer’s funds between accounts and reflecting this movement at the account level:
  - (a) If the depository institution’s general ledger is sufficiently disaggregated to distinguish between transaction and savings deposit accounts, the aforementioned movement of funds between the customer’s transaction account and savings deposit account must be reflected on the general ledger.
  - (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.

**Deposits (cont.):**

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 Consolidated 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.

- (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."

**Derivative Contracts (cont.):**

and exceeds 25 percent of "All other liabilities," this amount should be disclosed in Schedule RC-G, item 4.d. Net gains (losses) on derivatives held for purposes other than trading that are not designated as hedging instruments in hedging relationships that qualify for hedge accounting in accordance with ASC Topic 815 should be recognized currently in earnings and reported consistently as either "Other noninterest income" or "Other noninterest expense" in Schedule RI, item 5.l or item 7.d, respectively.

Netting of derivative assets and liabilities is prohibited on the balance sheet except as permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts"). See the Glossary entry for "offsetting."

**Discounts:** See "premiums and discounts."

**Dividends:** Cash dividends are payments of cash to stockholders in proportion to the number of shares they own. Cash dividends on preferred and common stock are to be reported on the date they are declared by the bank's board of directors (the declaration date) by debiting "retained earnings" and crediting "dividends declared not yet payable," which is to be reported in other liabilities. Upon payment of the dividend, "dividends declared not yet payable" is debited for the amount of the cash dividend with an offsetting credit, normally in an equal amount, to "dividend checks outstanding" which is reportable in the "demand deposits" category of the bank's deposit liabilities.

A liability for dividends payable may not be accrued in advance of the formal declaration of a dividend by the board of directors. However, the bank may segregate a portion of retained earnings in the form of a net worth reserve in anticipation of the declaration of a dividend.

Stock dividends are distributions of additional shares to stockholders in proportion to the number of shares they own. Stock dividends are to be reported by transferring an amount equal to the fair value of the additional shares issued from retained earnings to a category of permanent capitalization (common stock and surplus). However, the amount transferred from retained earnings must be reduced by the amount of any mandatory and discretionary transfers previously made (such as those from retained earnings to surplus for increasing the bank's legal lending limit) provided such transfers have not already been used to record a stock dividend. In any event, the amount transferred from retained earnings may not be less than the par or stated value of the additional shares being issued.

Property dividends, also known as dividends in kind, are distributions to stockholders of assets other than cash. The transfer of securities of other companies, real property, or any other asset owned by the reporting bank to a stockholder or related party is to be recorded at the fair value of the asset on 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.

**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 25A 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.

**Income Taxes (cont.):**

**Other tax effects** – A bank may have transactions or items that are reportable in particular items in Schedule RI-A of the Consolidated Report of Income such as "Restatements due to corrections of material accounting errors and changes in accounting principles," and "Other comprehensive income." These transactions or other items may enter into the determination of taxable income in some year (not necessarily the current year), but are not included in the pretax income reflected in Schedule RI of the Consolidated Report of Income. They shall be reported in Schedule RI-A net of related income tax effects. These effects may increase or decrease the bank's total tax liability calculated on its tax returns for the current year or may be deferred to one or more future periods.

For further information, see ASC Topic 740.

**Intangible Assets:** See "business combinations" and the instructions to Consolidated Report of Condition Schedule RC-M, item 2.

**Interest-Bearing Account:** See "deposits."

**Interest Capitalization:** See "capitalization of interest costs."

**Interest Rate Swaps:** See "derivative contracts."

**Internal-Use Computer Software:** Guidance on the accounting and reporting for the costs of internal-use computer software is set forth in ASC Subtopic 350-40, Intangibles-Goodwill and Other – Internal-Use Software (formerly AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"). A summary of this accounting guidance follows. For further information, see ASC Subtopic 350-40.

Internal-use computer software is software that meets both of the following characteristics:

- (1) The software is acquired, internally developed, or modified solely to meet the bank's internal needs; and
- (2) During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

ASC Subtopic 350-40 identifies three stages of development for internal-use software: the preliminary project stage, the application development stage, and the post-implementation/operation stage. The processes that occur during the preliminary project stage of software development are the conceptual formulation of alternatives, the evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives. The application development stage involves the design of the chosen path (including software configuration and software interfaces), coding, installation of software to hardware, and testing (including the parallel processing phase). Generally, training and application maintenance occur during the post-implementation/operation stage. Upgrades of and enhancements to existing internal-use software, i.e., modifications to software that result in additional functionality, also go through the three aforementioned stages of development.

**Internal-Use Computer Software (cont.):**

Computer software costs that are incurred in the preliminary project stage should be expensed as incurred.

Internal and external costs incurred to develop internal-use software during the application development stage should be capitalized. Capitalization of these costs should begin once (a) the preliminary project stage is completed and (b) management, with the relevant authority, implicitly or explicitly authorizes and commits to funding a computer software project and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization should cease no later than when a computer software project is substantially complete and ready for its intended use, i.e., after all substantial testing is completed. Capitalized internal-use software costs generally should be amortized on a straight-line basis over the estimated useful life of the software.

Only the following application development stage costs should be capitalized:

- (1) External direct costs of materials and services consumed in developing or obtaining internal-use software;
- (2) Payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project (to the extent of the time spent directly on the project); and
- (3) Interest costs incurred when developing internal-use software.

Costs to develop or obtain software that allows for access or conversion of old data by new systems also should be capitalized. Otherwise, data conversion costs should be expensed as incurred. General and administrative costs and overhead costs should not be capitalized as internal-use software costs.

During the post-implementation/operation stage, internal and external training costs and maintenance costs should be expensed as incurred.

Impairment of capitalized internal-use computer software costs should be recognized and measured in accordance with ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets").

The costs of internally developed computer software to be sold, leased, or otherwise marketed as a separate product or process should be reported in accordance with ASC Subtopic 985-20, Software – Costs of Software to Be Sold, Leased or Marketed (formerly FASB Statement No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed"). If, after the development of internal-use software is completed, a bank decides to market the software, proceeds received from the license of the software, net of direct incremental marketing costs, should be applied against the carrying amount of the software.

**International Banking Facility (IBF):** An International Banking Facility (IBF) is a set of asset and liability accounts, segregated on the books and records of the establishing entity, which reflect international transactions. An IBF is established in accordance with the terms of [Federal Reserve Regulation D](#) and after appropriate notification to the Federal Reserve. The establishing entity may be a U.S. depository institution, a U.S. office of an Edge or Agreement corporation, or a U.S. branch or agency of a foreign bank pursuant to [Federal Reserve Regulation D](#). An IBF is permitted to hold only certain assets and liabilities. In general, IBF accounts are limited, as specified in the paragraphs below, to non-U.S. residents of foreign countries, residents of Puerto Rico and U.S. territories and possessions, other IBFs, and U.S. and non-U.S. offices of the establishing entity. For further information, see the Glossary entry for "International Banking Facility (IBF)" in the instructions for the [FFIEC 031](#) and [FFIEC 041](#) Call Reports.