



Billing Codes

OCC: 4810-33-P 1/3
Board: 6210-01-P 1/3
FDIC: 6714-01-P 1/3

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

FEDERAL RESERVE SYSTEM

FEDERAL DEPOSIT INSURANCE CORPORATION

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); and Federal Deposit Insurance Corporation (FDIC).

ACTION: Joint notice and request for comment.

SUMMARY: In accordance with the requirements of the Paperwork Reduction Act of 1995 (PRA), the OCC, the Board, and the FDIC (the “agencies”) may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Federal Financial Institutions Examination Council (FFIEC), of which the agencies are members, has approved the agencies’ publication for public comment of a proposal to revise and extend the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051) and the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101), which are currently approved collections of information. The proposed revisions to the Call Reports and the FFIEC 101 would implement various changes to the

agencies' capital rule that the agencies have finalized or are considering finalizing. In addition, the agencies are proposing a change in the scope of the FFIEC 031 Call Report as well as an instructional revision for the reporting of operating lease liabilities in the Call Reports, both of which would take effect March 31, 2020, and a Call Report instructional revision for home equity lines of credit that convert from revolving to non-revolving status that would take effect March 31, 2021.

DATES: Comments must be submitted on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

ADDRESSES: Interested parties are invited to submit written comments to any or all of the agencies. All comments, which should refer to the "Call Report and FFIEC 101 Reporting Revisions," will be shared among the agencies.

OCC: You may submit comments, which should refer to "Call Report and FFIEC 101 Reporting Revisions," by any of the following methods:

- Email: prainfo@occ.treas.gov.
- Mail: Chief Counsel's Office, Office of the Comptroller of the Currency, Attention: 1557-0081 and 1557-0239, 400 7th Street, SW, suite 3E-218, Washington, DC 20219.
- Hand Delivery/Courier: 400 7th Street, SW, suite 3E-218, Washington, DC 20219.

Instructions: You must include "OCC" as the agency name and "1557-0081 and 1557-0239" in your comment. In general, the OCC will publish comments on www.reginfo.gov without change, including any business or personal information provided, such as name and address information, e-mail addresses, or phone numbers.

Comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not include any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

You may review comments and other related materials that pertain to this information collection beginning on the date of publication of the second notice for this collection by any of the following methods:

- **Viewing Comments Electronically:** Go to *www.reginfo.gov*. Click on the “Information Collection Review” tab. Underneath the “Currently under Review” section heading, from the drop-down menu select “Department of Treasury” and then click “submit.” This information collection can be located by searching by OMB control number “1557-0081” or “1557-0239.” Upon finding the appropriate information collection, click on the related “ICR Reference Number.” On the next screen, select “View Supporting Statement and Other Documents” and then click on the link to any comment listed at the bottom of the screen.
- For assistance in navigating *www.reginfo.gov*, please contact the Regulatory Information Service Center at (202) 482-7340.
- **Viewing Comments Personally:** You may personally inspect comments at the OCC, 400 7th Street, SW, Washington, DC. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 649-6700 or, for persons who are deaf or hearing impaired, TTY, (202) 649-5597. Upon arrival, visitors will be required to present valid government-

issued photo identification and submit to security screening in order to inspect comments.

Board: You may submit comments, which should refer to “Call Report and FFIEC 101 Reporting Revisions,” by any of the following methods:

- Agency website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at:
<http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- Email: regs.comments@federalreserve.gov. Include “Call Report and FFIEC 101 Reporting Revisions” in the subject line of the message.
- Fax: (202) 452-3819 or (202) 452-3102.
- Mail: Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available on the Board’s website at <https://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room 146, 1709 New York Avenue, NW, Washington, DC 20006, between 9:00 a.m. and 5:00 p.m. on weekdays. For security reasons, the Board requires that visitors make an appointment to inspect comments. You may do so by calling (202) 452-3684. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

FDIC: You may submit comments, which should refer to “Call Report and FFIEC 101 Reporting Revisions,” by any of the following methods:

- Agency Website: <https://www.fdic.gov/regulations/laws/federal/>. Follow the instructions for submitting comments on the FDIC’s website.
- Federal eRulemaking Portal: <https://www.regulations.gov>. Follow the instructions for submitting comments.
- Email: comments@FDIC.gov. Include “Call Report and FFIEC 101 Reporting Revisions” in the subject line of the message.
- Mail: Manuel E. Cabeza, Counsel, Attn: Comments, Room MB-3128, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429.
- Hand Delivery: Comments may be hand delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m.
- Public Inspection: All comments received will be posted without change to <https://www.fdic.gov/regulations/laws/federal/> including any personal information provided. Paper copies of public comments may be requested from the FDIC Public Information Center, 3501 North Fairfax Drive, Arlington, VA 22226, or by telephone at (877) 275-3342 or (703) 562-2200.

Additionally, commenters may send a copy of their comments to the OMB desk officer for the agencies by mail to the Office of Information and Regulatory Affairs, U.S. Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW, Washington, DC 20503; by fax to (202) 395-6974; or by email to oir_submission@omb.eop.gov.

FOR FURTHER INFORMATION CONTACT: For further information about the proposed revisions to the information collections discussed in this notice, please contact any of the agency staff whose names appear below. In addition, copies of the report forms for the Call Report and the FFIEC 101 can be obtained at the FFIEC’s website (https://www.ffiec.gov/ffiec_report_forms.htm).

OCC: Kevin Korzeniewski, Counsel, Chief Counsel’s Office, (202) 649-5490, or for persons who are deaf or hearing impaired, TTY, (202) 649-5597.

Board: Nuha Elmaghrabi, Federal Reserve Board Clearance Officer, (202) 452-3884, Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may call (202) 263-4869.

FDIC: Manuel E. Cabeza, Counsel, (202) 898-3767, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429.

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I. Affected Reports

All of the proposed changes discussed below affect the Call Reports, while a number of the changes also affect the FFIEC 101. The Board will separately propose to make corresponding revisions to the Consolidated Financial Statements for Holding Companies (FR Y-9C).¹

A. Call Reports

The agencies propose to extend for three years, with revision, the FFIEC 031, FFIEC 041, and FFIEC 051 Call Reports.

¹ Consolidated Financial Statements for Holding Companies (FR Y-9C), OMB Number 7100-0128.

Report Title: Consolidated Reports of Condition and Income (Call Report).

Form Number: FFIEC 031 (Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices), FFIEC 041 (Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only, and FFIEC 051 (Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less Than \$5 Billion).

Frequency of Response: Quarterly.

Affected Public: Business or other for-profit.

Type of Review: Revision and extension of currently approved collections.

OCC:

OMB Control No.: 1557-0081.

Estimated Number of Respondents: 1,152 national banks and federal savings associations.

Estimated Average Burden per Response: 39.74 burden hours per quarter to file.

Estimated Total Annual Burden: 183,122 burden hours to file.

Board:

OMB Control No.: 7100-0036.

Estimated Number of Respondents: 781 state member banks.

Estimated Average Burden per Response: 43.64 burden hours per quarter to file.

Estimated Total Annual Burden: 136,331 burden hours to file.

FDIC:

OMB Control No.: 3064-0052.

Estimated Number of Respondents: 3,419 insured state nonmember banks

and state savings associations.

Estimated Average Burden per Response: 38.47 burden hours per quarter to file.

Estimated Total Annual Burden: 526,116 burden hours to file.

The estimated average burden hours collectively reflect the estimates for the FFIEC 051, the FFIEC 041, and the FFIEC 031 reports for each agency. When the estimates are calculated by type of report across the agencies, the estimated average burden hours per quarter are 35.38 (FFIEC 051), 49.45 (FFIEC 041), and 95.06 (FFIEC 031). The estimated burden hours for the currently approved reports are 40.27 (FFIEC 051), 53.72 (FFIEC 041), and 95.60 (FFIEC 031), so the revisions proposed in this notice would represent a reduction in estimated average burden hours per quarter of 4.89 (FFIEC 051), 4.27 (FFIEC 041), and 0.54 (FFIEC 031). The change in burden is predominantly due to changes associated with the community bank leverage ratio rule. The reduction in average burden hours is significantly less for the FFIEC 031 than for the FFIEC 041 or the FFIEC 051 because greater percentages of institutions that would be eligible to report under the proposed community bank leverage ratio framework currently file the FFIEC 041 or the FFIEC 051 than the FFIEC 031.² The estimated burden per response for the quarterly filings of the Call Report is an average that varies by agency because of differences in the composition of the institutions under each agency's supervision (e.g., size distribution of institutions, types of activities in which they are engaged, and existence of foreign offices).

Type of Review: Extension and revision of currently approved collections.

² For estimating burden hours, the agencies assumed 60 percent of eligible institutions would use the framework.

Legal Basis and Need for Collections

The Call Report information collections are mandatory: 12 U.S.C. 161 (for national banks), 12 U.S.C. 324 (for state member banks), 12 U.S.C. 1817 (for insured state nonmember commercial and savings banks), and 12 U.S.C. 1464 (for federal and state savings associations). At present, except for selected data items and text, these information collections are not given confidential treatment.

Banks and savings associations submit Call Report data to the agencies each quarter for the agencies' use in monitoring the condition, performance, and risk profile of individual institutions and the industry as a whole. Call Report data serve a regulatory or public policy purpose by assisting the agencies in fulfilling their shared missions of ensuring the safety and soundness of financial institutions and the financial system and protecting consumer financial rights, as well as agency-specific missions affecting national and state-chartered institutions, such as conducting monetary policy, ensuring financial stability, and administering federal deposit insurance. Call Reports are the source of the most current statistical data available for identifying areas of focus for on-site and off-site examinations. Among other purposes, the agencies use Call Report data in evaluating institutions' corporate applications, including interstate merger and acquisition applications for which the agencies are required by law to determine whether the resulting institution would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States. Call Report data also are used to calculate institutions' deposit insurance assessments and national banks' and federal savings associations' semiannual assessment fees.

B. FFIEC 101

The agencies propose to extend for three years, with revision, the FFIEC 101 report.

Report Title: Risk-Based Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework.

Form Number: FFIEC 101.

Frequency of Response: Quarterly.

Affected Public: Business or other for-profit.

OCC:

OMB Control No.: 1557-0239.

Estimated Number of Respondents: 8 national banks and federal savings associations.

Estimated Time per Response: 674 burden hours per quarter to file for banks and federal savings associations.

Estimated Total Annual Burden: 21,568 burden hours to file.

Board:

OMB Control No.: 7100-0319.

Estimated Number of Respondents: 1 state member bank;
4 bank holding companies and savings and loan holding companies that complete Supplementary Leverage Ratio (SLR) Tables 1 and 2 only;
9 other bank holding companies and savings and loan holding companies; and

6 intermediate holding companies.

Estimated Time per Response: 674 burden hours per quarter to file for state member banks;

3 burden hours per quarter to file for bank holding companies and savings and loan holding companies that complete Supplementary Leverage Ratio (SLR) Tables 1 and 2 only;

677 burden hours per quarter to file for other bank holding companies and savings and loan holding companies; and

3 burden hours per quarter to file for intermediate holding companies.

Estimated Total Annual Burden: 2,696 burden hours for state member banks to file;

48 burden hours for bank holding companies and savings and loan holding companies that complete Supplementary Leverage Ratio (SLR) Tables 1 and 2 only to file;

24,372 burden hours for other bank holding companies and savings and loan holding companies to file; and

72 burden hours for intermediate holding companies to file.

FDIC:

OMB Control No.: 3064-0159.

Estimated Number of Respondents: 1 insured state nonmember bank and state savings association.

Estimated Time per Response: 674 burden hours per quarter to file.

Estimated Total Annual Burden: 2,696 burden hours to file.

Type of Review: Extension and revision of currently approved collections.

Legal Basis and Need for Collections

Each advanced approaches institution³ is required to report quarterly regulatory capital data on the FFIEC 101. The FFIEC 101 information collections are mandatory for advanced approaches institutions: 12 U.S.C. 161 (national banks), 12 U.S.C. 324 (state member banks), 12 U.S.C. 1844(c) (bank holding companies), 12 U.S.C. 1467a(b) (savings and loan holding companies), 12 U.S.C. 1817 (insured state nonmember commercial and savings banks), 12 U.S.C. 1464 (savings associations), and 12 U.S.C. 1844(c), 3106, and 3108 (intermediate holding companies). Certain data items in this information collection are given confidential treatment under 5 U.S.C. 552(b)(4) and (8).

The agencies use data reported in the FFIEC 101 to assess and monitor the levels and components of each reporting entity's capital requirements and the adequacy of the entity's capital under the Advanced Capital Adequacy Framework;⁴ to evaluate the impact of the Advanced Capital Adequacy Framework on individual reporting entities and on an industry-wide basis and its competitive implications; and to supplement on-site

³ See 12 CFR 3.100(b) (OCC); 12 CFR 217.100(b) (Board); 12 CFR 324.100(b) (FDIC).

⁴ 12 CFR part 3, subpart E (OCC); 12 CFR part 217, subpart E (Board); 12 CFR part 324, subpart E (FDIC).

examination processes. The reporting schedules also assist advanced approaches institutions in understanding expectations relating to the system development necessary for implementation and validation of the Advanced Capital Adequacy Framework. Submitted data that are released publicly will also provide other interested parties with information about advanced approaches institutions' regulatory capital.

II. Current Actions

A. Simplifications Rule

1. Background

On July 22, 2019, the agencies published a final rule amending their regulatory capital rule⁵ to make a number of burden-reducing changes to the capital rule (simplifications rule).⁶ In the simplifications rule, the agencies adopted a simpler methodology for non-advanced approaches banking organizations⁷ to calculate minority interest limitations and simplified the regulatory capital treatment of mortgage servicing assets (MSAs), temporary difference deferred tax assets (DTAs), and investments in the capital of unconsolidated financial institutions. The simplifications rule had an effective

⁵ 12 CFR part 3 (OCC); 12 CFR part 217 (Board); 12 CFR part 324 (FDIC). While the agencies have codified the capital rule in different parts of title 12 of the Code of Federal Regulations, the internal structure of the sections within each agency's rule are substantially similar.

⁶ 84 FR 35234 (July 22, 2019).

⁷ Non-advanced approaches banking organizations are institutions that do not meet the criteria in 12 CFR 3.100(b) (OCC); 12 CFR 217.100(b) (Board); or 12 CFR 324.100(b) (FDIC).

date of April 1, 2020. However, the FDIC and the OCC have recently approved,⁸ and the Board is considering, a planned final rule that would permit non-advanced approaches banking organizations to implement the simplifications rule on January 1, 2020. As a result, non-advanced approaches banking organizations would have the option to implement the simplifications rule on the revised effective date of January 1, 2020, or wait until the quarter beginning April 1, 2020.

The agencies propose revisions to Call Report Schedule RC-R, Regulatory Capital, in all three versions of the Call Report to implement the associated changes to the agencies' regulatory capital rule effective as of the March 31, 2020, report date, consistent with the planned final rule that would permit early adoption of the simplifications rule.

In addition, the agencies adopted a number of technical amendments to their regulatory capital rule in the simplifications rule that do not require clearance under the PRA and would become effective October 1, 2019.

2. Proposed Revisions to Call Report Schedule RC-R

The revisions in the simplifications rule would make a number of changes to the calculation of common equity tier 1 (CET1) capital, additional tier 1 capital, and tier 2 capital for non-advanced approaches institutions that do not apply to advanced approaches institutions. Thus, the simplifications rule results in different sets of calculations for these tiers of regulatory capital for non-advanced approaches institutions and advanced approaches institutions. At present, the FFIEC 031 and the FFIEC 041 Call Reports are completed by both non-advanced approaches institutions and advanced

⁸ See FDIC Press Release 80-2019, dated September 17, 2019.

approaches institutions while only non-advanced approaches institutions are eligible to file the FFIEC 051 Call Report. To mitigate the complexity of revising existing Schedule RC-R, Part I, Regulatory Capital Components and Ratios, to incorporate the different sets of regulatory capital calculations for non-advanced approaches institutions and advanced approaches institutions, and to reflect the effects of the simplifications rule in both the FFIEC 031 and FFIEC 041 Call Reports, the agencies are proposing to require all advanced approaches institutions to file the FFIEC 031 Call Report effective as of the March 31, 2020, report date.⁹ As a result, the agencies would adjust the existing regulatory capital calculations reported on Schedule RC-R, Part I, for the FFIEC 041 Call Report, and also for the FFIEC 051 Call Report, to reflect the effects of the simplifications rule for non-advanced approaches institutions. For the FFIEC 031 Call Report, which is filed by the fewest institutions, the agencies are proposing to incorporate the two different sets of regulatory capital calculations (one for non-advanced approaches institutions and the other for advanced approaches institutions) in Schedule RC-R, Part I, and, as mentioned above, require all advanced approaches institutions to file this version of the Call Report.

The agencies propose a number of revisions that would simplify the capital calculations on each version of Schedule RC-R, Part I, effective March 31, 2020, and thereby reduce reporting burden. Because both non-advanced approaches institutions and advanced approaches institutions file the FFIEC 031 Call Report, the FFIEC 031 Call Report would include two different sets of calculations (one that incorporates the

⁹ While this proposed change relates to existing advanced approaches institutions, as discussed in Section II.C. below, the agencies also propose to require all Category I, II, and III institutions to file the FFIEC 031 Call Report.

effects of the simplifications rule and the other that does not) in adjacent columns in the affected portion of Schedule RC-R, Part I. An institution would complete only the column for the set of calculations applicable to that institution. For the March 31, 2020, report date, non-advanced approaches institutions that file the FFIEC 031 Call Report and elect to adopt the simplifications rule on January 1, 2020, would complete the column for the set of calculations that incorporates the effects of the simplifications rule. Non-advanced approaches institutions that elect to wait to adopt the simplifications rule on April 1, 2020, and all advanced approaches institutions would complete the column for the set of calculations that does not reflect the effects of the simplifications rule (i.e., that reflects the capital calculation in effect for all institutions before this revision).

Beginning with the June 30, 2020, report date, all non-advanced approaches institutions that file the FFIEC 031 Call Report would complete the column for the set of calculations that incorporates the effects of the simplifications rule; all advanced approaches institutions that file this Call Report would complete the column that does not reflect the effects of the simplifications rule.

Because advanced approaches institutions currently are not permitted to file the FFIEC 051 Call Report and would not be permitted to file the FFIEC 041 Call Report, the FFIEC 041 and FFIEC 051 Call Reports would include a single column for the capital calculation in Schedule RC-R, Part I, that would be revised effective March 31, 2020, to incorporate the effects of the simplifications rule. For the March 31, 2020, report date, non-advanced approaches institutions that file the FFIEC 041 or FFIEC 051 Call Report and elect to adopt the simplifications rule on January 1, 2020, would complete the capital calculation column in Schedule RC-R, Part I, as revised for the simplifications rule. The

agencies propose to provide instructions for non-advanced approaches institutions that file the FFIEC 041 or FFIEC 051 Call Report that elect to wait to adopt the simplifications rule on April 1, 2020, on how to complete Schedule RC-R, including the capital calculation column, for the March 31, 2020, report date in accordance with the capital rule in effect before the simplifications rule's revised effective date of January 1, 2020. Beginning with the June 30, 2020, report date, all non-advanced approaches institutions that file the FFIEC 041 or FFIEC 051 Call Report would complete Schedule RC-R as revised for the simplifications rule.

In connection with proposing that all advanced approaches institutions file the FFIEC 031 Call Report, the agencies propose to remove certain items from the FFIEC 041 Call Report that apply only to advanced approaches institutions. Thus, for Schedule RC-R, Part I, in the FFIEC 041 Call Report, the agencies propose to remove items 30.b, 32.b, 34.b, 35.b, 40.b, 41 through 43 (Column B only), 45.a, 45.b, and 46.b. The agencies propose to renumber items 30.a, 32.a, 34.a, 35.a, 40.a, and 46.a as items 30, 32, 34, 35, 40, and 46, respectively. When the FFIEC 051 Call Report was created in 2016 (and implemented as of March 31, 2017), Schedule RC-R, Part I, was revised to remove the items and references applicable only to advanced approaches institutions. Thus, as a result, Schedule RC-R, Part I, as it is proposed to be revised in the FFIEC 041 would be the same as the existing Schedule RC-R, Part I, in the FFIEC 051.

In the simplifications rule, the agencies increased the thresholds for including MSAs, temporary difference DTAs that could not be realized through net operating loss

carrybacks (temporary difference DTAs),¹⁰ and investments in the capital of unconsolidated financial institutions for non-advanced approaches institutions. In addition, the agencies revised the capital calculation for minority interests included in the various capital categories for non-advanced approaches institutions and to the calculation of the capital conservation buffer.

The current regulatory capital calculations in Call Report Schedule RC-R, which do not yet reflect the revisions contained in the simplifications rule, require that an institution's capital cannot include MSAs, certain temporary difference DTAs, and significant investments in the common stock of unconsolidated financial institutions in an amount greater than 10 percent of CET1 capital, on an individual basis, and those three data items combined cannot comprise more than 15 percent of CET1 capital. When the reporting of regulatory capital calculations by non-advanced approaches institutions in accordance with the simplifications rule takes effect, this calculation would be revised in Schedule RC-R, Part I, to require that only MSAs or temporary difference DTAs in an amount greater than 25 percent of CET1 capital, on an individual basis, could not be included in a non-advanced approaches institution's capital. The 15 percent aggregate limit would be removed. In addition, the simplifications rule will combine the current three categories of investments in financial institutions (non-significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are in the form of common stock, and

¹⁰ The agencies note that An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Pub. L. 115-97 (originally introduced as the Tax Cuts and Jobs Act), enacted December 22, 2017, eliminated the concept of net operating loss carrybacks for U.S. federal income tax purposes, although the concept may still exist in particular jurisdictions for state or foreign income tax purposes.

significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock) into a single category, investments in the capital of unconsolidated financial institutions, and will apply a limit of 25 percent of CET1 capital on the amount of these investments that can be included in capital. Any investments in excess of the 25 percent limit would be deducted from capital using the corresponding deduction approach.

Consistent with the current capital rule, an institution must risk weight MSAs, temporary difference DTAs, and investments in the capital of unconsolidated financial institutions that are not deducted. The agencies propose revisions to allow institutions to enter values into the Column K – 250% risk weight on Schedule RC-R, Part II, in the FFIEC 051 Call Report, which is currently shaded out, and remove footnote two on the second page of Schedule RC-R, Part II, and the corresponding footnote on subsequent pages of Schedule RC-R, Part II, in all three versions of the Call Reports effective as of the March 31, 2020, report date to accommodate the simplifications rule revisions to the risk weight for MSAs and temporary difference DTAs. Consistent with the simplifications rule, non-advanced approaches institutions will not be required to differentiate among categories of investments in the capital of unconsolidated financial institutions. The risk weight for such equity exposures generally will be 100 percent, provided the exposures qualify for this risk weight.¹¹ For non-advanced approaches

¹¹ 12 CFR 3.52 and .53 (OCC); 12 CFR 217.52 and .53 (Board); 12 CFR 324.52 and .53 (FDIC). Note that for purposes of calculating the 10 percent nonsignificant equity bucket, the capital rule excludes equity exposures that are assigned a risk weight of zero percent and 20 percent, and community development equity exposures and the effective portion of hedge pairs, both of which are assigned a 100 percent risk weight. In addition, the 10 percent non-significant bucket excludes equity exposures to an investment firm that would not meet the definition of traditional securitization were it not for the

institutions, the simplifications rule eliminates the exclusion of significant investments in the capital of unconsolidated financial institutions in the form of common stock from being eligible for a 100 percent risk weight.¹² The application of the 100 percent risk weight (i) requires a banking organization to follow an enumerated process for calculating adjusted carrying value and (ii) mandates the equity exposures that must be included in determining whether the threshold has been reached. Equity exposures that do not qualify for a preferential risk weight will generally receive risk weights of either 300 percent or 400 percent, depending on whether the equity exposures are publicly traded.

In order to implement these regulatory capital changes from a regulatory reporting perspective, the agencies propose to make a number of revisions to Schedule RC-R, Part I, for non-advanced approaches institutions effective March 31, 2020. Specifically, in Schedule RC-R, Part I, in the FFIEC 041 and FFIEC 051 Call Reports, the agencies propose to remove item 11 and modify item 13 to reflect the consolidation of all investments in unconsolidated financial institutions into a single category and apply a single 25 percent of CET1 capital limit to these investments. The agencies propose to modify items 14 and 15 to reflect the 25 percent of CET1 capital limit for MSAs and certain temporary difference DTAs, respectively. The agencies also propose to remove item 16, which applies to the aggregate 15 percent limitation that was removed from the

application of criterion 8 of the definition of traditional securitization, and has greater than immaterial leverage.

¹² Equity exposures that exceed, in the aggregate, 10 percent of a non-advanced approaches banking organization's total capital would then be assigned a risk weight based upon the approaches available in sections 52 and 53 of the capital rule. 12 CFR 3.52 and .53 (OCC); 12 CFR 217.52 and .53 (Board); 12 CFR 324.52 and .53 (FDIC).

capital rule for non-advanced approaches institutions. In the FFIEC 031 Call Report, the agencies propose to create two columns for existing items 11 through 19. Column A would be reported by non-advanced approaches institutions that elect to adopt the simplifications rule on January 1, 2020, in the March 2020 Call Report and by all non-advanced approaches institutions beginning in the June 2020 Call Report using the definitions under the simplifications rule. Column A would not include items 11 or 16, and items 13 through 15 would be designated as items 13.a through 15.a to reflect the new calculation methodology. Column B would be reported by advanced approaches institutions and by non-advanced approaches institutions that elect to wait to adopt the simplifications rule on April 1, 2020, in the March 2020 Call Report and only by advanced approaches institutions beginning in the June 2020 Call Report using the existing definitions. Existing items 13 through 15 would be designated as items 13.b through 15.b to reflect continued use of the existing calculation methodology.

The agencies are not proposing any changes to the form to incorporate the minority interest revisions. However, the agencies are proposing to modify the instructions for the existing minority interest items in all versions of the Call Report to reflect the ability of non-advanced approaches institutions to use the revised method under the simplifications rule to calculate minority interest in existing items 4, 22, and 29 (CET1, additional tier 1, and tier 2 minority interest, respectively).

B. Community Bank Leverage Ratio Rule

1. Background

In February 2019, the agencies proposed a rule to provide a simplified alternative measure of capital adequacy, the community bank leverage ratio (CBLR), for qualifying community banking organizations with less than \$10 billion in total consolidated assets (CBLR proposed rule),¹³ consistent with section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).¹⁴ In February 2019, the FDIC published a proposed rule to amend the deposit insurance assessment regulations to incorporate the community bank leverage ratio framework (CBLR framework) into the deposit insurance assessment system (CBLR assessments proposed rule).¹⁵ The agencies then requested comment in April 2019 on proposed revisions to the Call Report to implement the CBLR proposed rule and the CBLR assessments proposed rule.¹⁶

However, the FDIC and the OCC have recently approved,¹⁷ and the Board is considering, a final rule (planned CBLR final rule) that contains significant revisions to the calculation methodology relative to the CBLR proposed rule. Therefore, the agencies are proposing a revised version of community bank leverage ratio reporting in the Call Report to reflect the changes in the planned CBLR final rule, which replaces the previously proposed community bank leverage ratio reporting that had been designed to

¹³ 84 FR 3062 (February 8, 2019).

¹⁴ Pub. L. 115-174, 132 Stat. 1296 (2018).

¹⁵ 84 FR 5380 (February 21, 2019).

¹⁶ 84 FR 16560 (April 19, 2019).

¹⁷ See FDIC Press Release 80-2019, dated September 17, 2019.

implement the CBLR proposed rule. In addition, the FDIC has recently approved a final rule regarding the application of the CBLR framework to the deposit insurance assessment system (CBLR assessments final rule).¹⁸ Because of the features of the revised calculation methodology in the planned CBLR final rule described below, the agencies are not proceeding with the previously proposed revisions to Call Report Schedule RC-O, “Other Data for Deposit Insurance Assessments,” to implement the CBLR assessments proposed rule¹⁹ and no revisions to Schedule RC-O are being proposed in connection with the CBLR assessments final rule. Certain clarifications would be made to the Schedule RC-O instructions to address the application of the CBLR framework to the FDIC’s deposit insurance assessment system in accordance with the CBLR assessments final rule.

Under the planned CBLR final rule, banking organizations that have less than \$10 billion in total consolidated assets, meet risk-based qualifying criteria, and have a leverage ratio of greater than 9 percent will be eligible to opt into the CBLR framework. A banking organization that opts into the CBLR framework, maintains a leverage ratio of greater than 9 percent, and meets the other qualifying criteria will not be subject to other risk-based and leverage capital requirements and, in the case of an insured depository institution (IDI), would be considered to have met the well capitalized capital ratio requirements for purposes of the agencies’ prompt corrective action framework.

Under the planned CBLR final rule, a bank or savings association (bank) that opts into the CBLR framework (CBLR bank) may opt out of the CBLR framework at any

¹⁸ See FDIC Press Release 80-2019, dated September 17, 2019.

¹⁹ See 84 FR 16565-16566 (April 19, 2019).

time, without restriction, by reverting to the generally applicable capital requirements in the agencies' capital rule²⁰ and reporting its regulatory capital information in Call Report Schedule RC-R, "Regulatory Capital," Parts I and II, at the time of opting out.

As described in the planned CBLR final rule, a banking organization that no longer meets the qualifying criteria for the CBLR framework will be required within two consecutive calendar quarters (grace period) either to once again satisfy the qualifying criteria or demonstrate compliance with the generally applicable capital requirements. During the grace period, the bank would continue to be treated as a CBLR bank and would be required to report its leverage ratio and related components in Call Report Schedule RC-R, Part I, in the manner described in this notice.²¹ A CBLR bank that ceases to meet the qualifying criteria as a result of a business combination (e.g., a merger) would receive no grace period, and would immediately become subject to the generally applicable capital requirements. Similarly, a CBLR bank that fails to maintain a leverage ratio greater than 8 percent would not be permitted to use the grace period and would immediately become subject to the generally applicable capital requirements.

²⁰ 12 CFR part 3 (OCC); 12 CFR part 217 (Board); 12 CFR part 324 (FDIC).

²¹ For example, if the electing banking organization no longer meets one of the qualifying criteria as of February 15, and still does not meet the criteria as of the end of that quarter, the grace period for such a banking organization will begin as of the end of the quarter ending March 31. The banking organization may continue to use the community bank leverage ratio framework as of June 30, but will need to comply fully with the generally applicable rule (including the associated reporting requirements) as of September 30, unless the banking organization once again meets all qualifying criteria of the community bank leverage ratio framework, including a leverage ratio of greater than 9 percent, by that date.

2. Proposed Revisions to Call Report Schedule RC-R

In this notice, the agencies are proposing reporting revisions to the Call Reports for banks that qualify for and opt into the CBLR framework, consistent with the planned CBLR final rule. The reporting changes to the Call Reports proposed in this notice would take effect in the same quarter as the effective date of the planned final rule adopting the CBLR framework.

The agencies originally proposed to incorporate all the community bank leverage ratio items into a separate version of Schedule RC-R. However, after considering the substantial changes made in the planned CBLR final rule, the agencies now propose to incorporate all the revisions related to the community bank leverage ratio into the existing Schedule RC-R, Part I, for all versions of the Call Report.

As provided in the planned CBLR final rule, the numerator of the community bank leverage ratio will be tier 1 capital, which is currently reported in Schedule RC-R, Part I, item 26. Therefore, the agencies are not proposing any changes related to the numerator of the community bank leverage ratio.

As provided in the planned CBLR final rule, the denominator of the community bank leverage ratio will be average total consolidated assets. Specifically, average total consolidated assets would be calculated in accordance with the existing reporting instructions for Schedule RC-R, Part I, items 36 through 39. The agencies are not proposing any substantive changes related to the denominator of the community bank leverage ratio. However, the agencies are proposing to move existing items 36 through 39 of Schedule RC-R, Part I, and renumber them as items 27 through 30 of

Schedule RC-R, Part I, to consolidate all of the community-bank-leverage-ratio-related capital items earlier in Schedule RC-R, Part I.

As provided in the planned CBLR final rule, a CBLR bank will calculate its community bank leverage ratio by dividing tier 1 capital by average total consolidated assets (as adjusted), and the community bank leverage ratio would be reported as a percentage, rounded to four decimal places. Since this calculation is essentially identical to the existing calculation of the tier 1 leverage ratio in Schedule RC-R, Part I, item 44, the agencies are not proposing a separate item for the community bank leverage ratio in Schedule RC-R, Part I. Instead, the agencies propose to move the tier 1 leverage ratio from item 44 of Part I and renumber it as item 31, and rename the item the Leverage Ratio, as this ratio would apply to all institutions (as the community bank leverage ratio for qualifying institutions or the tier 1 leverage ratio for all other institutions).

As provided in the planned CBLR final rule, a CBLR bank will need to satisfy certain qualifying criteria in order to be eligible to opt into the CBLR framework. The proposed items identified below would collect information necessary to ensure that a bank continuously meets the qualifying criteria for using the CBLR framework.

Specifically, a CBLR bank is a bank that is not an advanced approaches institution and meets the following qualifying criteria:

- A leverage ratio of greater than 9 percent;
- Total consolidated assets of less than \$10 billion;
- Total trading assets and trading liabilities of 5 percent or less of total consolidated assets; and

- Total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets.²²

Accordingly, the agencies propose collecting the items described below for community bank leverage ratio reporting purposes.

In proposed item 32 of Schedule RC-R, Part I, a CBLR bank would report total assets, as reported in Call Report Schedule RC, item 12.

In proposed item 33, a CBLR bank would report the sum of trading assets from Schedule RC, item 5, and trading liabilities from Schedule RC, item 15, in Column A. The bank would also report that sum divided by total assets from Schedule RC, item 12, and expressed as a percentage in Column B. As provided in the planned CBLR final rule, trading assets and trading liabilities would be added together, not netted, for purposes of this calculation. Also as discussed in the planned CBLR final rule, a bank would not meet the definition of a qualifying community banking organization for purposes of the CBLR framework if the percentage reported in Column B is greater than 5 percent.

In proposed items 34.a through 34.d, a CBLR bank would report information related to commitments, other off-balance sheet exposures, and sold credit derivatives.

²² Under the planned CBLR final rule, the agencies have reserved the authority to disallow the use of the CBLR framework by a depository institution or depository institution holding company based on the risk profile of the banking organization. This authority is reserved under the general reservation of authority included in the capital rule, in which the CBLR framework would be codified. *See* 12 CFR 3.1(d) (OCC); 12 CFR 217.1(d) (Board); 12 CFR 324.1(d) (FDIC). In addition, for purposes of the capital rule and section 201 of the EGRRCPA, the agencies have reserved the authority to take action under other provisions of law, including action to address unsafe or unsound practices or conditions, deficient capital levels, or violations of law or regulation. *See* 12 CFR 3.1(b) (OCC); 12 CFR 217.1(b) (Board); 12 CFR 324.1(b) (FDIC).

In proposed item 34.a, a CBLR bank would report the unused portion of conditionally cancelable commitments. This amount would be the amount of all unused commitments less the amount of unconditionally cancelable commitments, as discussed in the planned CBLR final rule and defined in the agencies' capital rule.²³ This item would be calculated consistent with the sum of Schedule RC-R, Part II, items 18.a and 18.b, Column A.

In proposed item 34.b, a CBLR bank would report total securities lent and borrowed, which would be the sum of Schedule RC-L, items 6.a and 6.b.

In proposed item 34.c, a CBLR bank would report the sum of certain other off-balance sheet exposures and sold credit derivatives. Specifically, a CBLR bank would report the sum of self-liquidating, trade-related contingent items that arise from the movement of goods; transaction-related contingent items (performance bonds, bid bonds, warranties, and performance standby letters of credit); sold credit protection in the form of guarantees and credit derivatives; credit-enhancing representations and warranties; financial standby letters of credit; forward agreements that are not derivative contracts; and off-balance sheet securitizations. A CBLR bank would not include derivatives that are not sold credit derivatives, such as foreign exchange swaps and interest rate swaps, in proposed item 34.c.

In proposed item 34.d, a CBLR bank would report the sum of proposed items 34.a through 34.c in Column A. The bank would also report that sum divided by total assets from Schedule RC, item 12, and expressed as a percentage in Column B. As discussed in

²³ See definition of "unconditionally cancellable" in 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); 12 CFR 324.2 (FDIC).

the planned CBLR final rule, a bank would not be eligible to opt into the CBLR framework if this percentage is greater than 25 percent.

In proposed item 35, a CBLR bank would report the total of unconditionally cancellable commitments, which would be calculated consistent with the instructions for existing Schedule RC-R, Part II, item 19. This item is not used specifically to calculate a bank's eligibility for the CBLR framework. However, the agencies are collecting this information to identify any bank using the CBLR framework that may have significant or excessive concentrations in unconditionally cancellable commitments that would warrant the agencies' use of the reservation of authority in their capital rule to direct an otherwise-eligible CBLR bank to report its regulatory capital using the generally applicable capital requirements.²⁴

In proposed item 36, a CBLR bank would report the amount of investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital. Since the CBLR framework does not have a total capital requirement, a CBLR bank is neither required to calculate tier 2 capital nor make any deductions that would be taken from tier 2 capital. Therefore, if a CBLR bank has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR bank under the generally applicable capital requirements (tier 2 qualifying instruments), and the CBLR bank's total investments in the capital of unconsolidated financial institutions exceed 25 percent of its CET1 capital, the CBLR bank is not required to deduct the tier 2 qualifying instruments. A CBLR bank is required to make a

²⁴ Other factors also may lead the agencies to determine that the risk profile of an otherwise-eligible CBLR bank would warrant the use of the reservation of authority.

deduction from CET1 capital or tier 1 capital only if the sum of its investments in the capital of an unconsolidated financial institution is in a form that would qualify as CET1 capital or tier 1 capital instruments of the CBLR bank and the sum exceeds the 25 percent CET1 threshold. The agencies believe it is important to continue collecting information on the amount of investments in these capital instruments as excessive investments similarly could warrant the agencies' use of their reservation of authority.

In proposed item 37, a CBLR bank would be required to report its allocated transfer risk reserve (ATRR), as currently calculated and reported in Schedule RC-R, Part II, item 30. In proposed items 38.a through 38.c, a CBLR bank that has adopted Accounting Standards Update (ASU) No. 2016-13 on credit losses must report the amount of any allowances for credit losses on purchased credit-deteriorated loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, as currently calculated and reported in Schedule RC-R, Part II, Memorandum items 4.a through 4.c. The amount of the ATRR, if any, is necessary to calculate capital and surplus and corresponding limits in a number of the OCC's regulations, including investment securities limits (12 CFR part 1) and lending limits (12 CFR part 32). After an institution adopts ASU 2016-13, allowances for credit losses on purchased credit-deteriorated assets similarly would affect the calculation of these limits. While these limits apply directly to institutions supervised by the OCC, a number of federal or state laws may apply the OCC's calculation of certain limits to state-chartered institutions supervised by the FDIC or the Board. Therefore, the agencies are proposing to retain this information for all CBLR banks. As CBLR banks would not complete Schedule RC-R, Part II, this information would otherwise not be readily

available for the agencies to calculate the relevant regulatory limits for these institutions.²⁵

Because a CBLR bank would not be subject to the generally applicable capital requirements, a CBLR bank would not need to complete any of the items in Schedule RC-R, Part I, after proposed item 38, nor would the bank need to complete Schedule RC-R, Part II, Risk-Weighted Assets.

In connection with moving the leverage ratio calculations and inserting items for the CBLR qualifying criteria in Schedule RC-R, Part I, existing items 27 through 35 of Schedule RC-R, Part I, will be renumbered as items 39 through 47. Existing items 40 through 43 will be renumbered as items 48 through 51, while existing items 46 through 48 will be renumbered as items 52 through 54. For advanced approaches institutions filing the FFIEC 031 Call Report, existing items 45.a and 45.b for total leverage exposure and the supplementary leverage ratio, respectively, will be renumbered as items 55.a and 55.b.

A CBLR bank would indicate that it has elected to apply the CBLR framework by completing Schedule RC-R, Part I, items 32 through 38. Institutions not subject to the CBLR framework would be required to report all data items in Schedule RC-R, Part I, except for items 32 through 38.

²⁵ Institutions that are not CBLR banks would not complete proposed items 37 and 38.a through 38.c, but would continue to report any ATRR and any allowances for credit losses on purchased credit-deteriorated loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost in Schedule RC-R, Part II.

3. Other Proposed Call Report Revisions Related to the CBLR

While not specifically part of the planned CBLR final rule, the agencies currently collect information in Call Report Schedule RC-C, Part I, “Loans and Leases,” Memorandum item 13, from institutions that have a significant amount of construction, land development, and other land loans with interest reserves in relation to their total regulatory capital as reported as of the previous calendar year-end report date. At present, total regulatory capital is defined as total capital reported on Schedule RC-R, Part I, item 35 (FFIEC 051) or item 35.a (FFIEC 031 or FFIEC 041). While CBLR banks would no longer report their total capital in Schedule RC-R, Part I, the agencies believe it is still important to collect this information from CBLR banks that have a significant amount of construction, land development, and other land loans with interest reserves. Therefore, effective March 31, 2021,²⁶ the agencies propose to revise the reporting threshold for Schedule RC-C, Part I, Memorandum item 13, for all institutions to reference the sum of tier 1 capital as reported in Schedule RC-R, Part I, item 26, plus the allowance for loan and lease losses or the allowance for credit losses on loan and leases, as applicable, as reported in Schedule RC, item 4.c.

²⁶ For report dates during 2020, the reporting threshold for Schedule RC-C, Part I, Memorandum item 13, would be the total capital an institution reported in Schedule RC-R, Part I, as of December 31, 2019, which will predate the initial reporting under the CBLR framework in Schedule RC-R. The first year-end report date under the CBLR framework would be December 31, 2020, which would be the report date to which a CBLR bank would refer in order to determine whether it would need to complete Schedule RC-C, Part I, Memorandum item 13, as of each quarter-end report date during 2021.

C. Proposed Tailoring Rules

1. Background

On December 21, 2018, the agencies published a notice of proposed rulemaking (NPR) proposing to revise the criteria for determining the applicability of requirements under the regulatory capital rule, the liquidity coverage ratio rule, and the proposed net stable funding ratio rule for large U.S. banking organizations (domestic interagency tailoring NPR).²⁷ The proposal would establish four risk-based categories and apply tailored capital and liquidity requirements for banking organizations subject to each category.

On May 24, 2019, the agencies published an NPR that would revise the criteria for determining the applicable regulatory capital requirements for certain U.S. intermediate holding companies of foreign banking organizations and their depository institution subsidiaries, and the application of standardized liquidity requirements with respect to the U.S. operations of large foreign banking organizations and certain of their depository institution subsidiaries, each according to three of the four risk-based categories proposed for U.S. banking organizations (foreign interagency tailoring NPR).²⁸ Thus, the proposal is similar to the domestic interagency tailoring NPR. The foreign interagency tailoring NPR also proposed technical amendments to certain provisions of the domestic interagency tailoring NPR.

Under the proposed approach, the most stringent set of standards (Category I) would apply to U.S. global systemically important banks (GSIBs). The second set of

²⁷ 83 FR 66024 (December 21, 2018).

²⁸ 84 FR 24296 (May 24, 2019).

standards (Category II) would apply to banking organizations that are very large or have significant international activity. Like Category I, this category would generally include standards that are based on standards that reflect agreements reached by the Basel Committee on Banking Supervision. The third set of standards (Category III) would apply to banking organizations with \$250 billion or more in total consolidated assets that do not meet the criteria for Category I or II. The third set of standards would also apply to banking organizations with total consolidated assets of \$100 billion or more, but less than \$250 billion, that meet or exceed other specified risk-based indicators. The fourth set of standards (Category IV) would apply to banking organizations with total consolidated assets of \$100 billion or more that do not meet the thresholds for one of the other categories.

The domestic interagency tailoring and foreign interagency tailoring NPRs also describe the capital and liquidity requirements that would apply for institutions subject to Category I, II, III, or IV capital standards. Based on the proposed capital and liquidity requirements that would apply to institutions subject to Category I, II, III, or IV capital standards in the domestic interagency tailoring and foreign interagency tailoring NPRs, the agencies are proposing to amend certain regulatory report forms to clarify the reporting requirements for those institutions that would be subject to those proposed rules. Specifically, the agencies are proposing changes to Call Report Schedule RC-R, Part I, Regulatory Capital Components and Ratios, and FFIEC 101 Schedule A, Advanced Approaches Regulatory Capital, to provide clarification for institutions subject

to Category III capital standards.²⁹ If modifications are made to the proposed tailoring rules when the rules are adopted in final form, the agencies would modify the Call Report and FFIEC 101 proposals to incorporate such changes. These changes would generally align with the Board's proposed amendments to FR Y-9C, Schedule HC-R, Part I, issued in conjunction with the Board's domestic tailoring and foreign tailoring proposals.³⁰

In addition, the agencies are proposing that all institutions subject to Category I, II, or III capital standards would be required to file the FFIEC 031 Call Report. While the agencies proposed to require all advanced approaches institutions to file the FFIEC 031 Call Report in connection with the simplifications rule, the tailoring rules would narrow the scope of institutions calculating risk-weighted assets under the advanced approaches. The agencies expect this scope revision to have little, if any, impact on current institutions, as all institutions with total consolidated assets of \$100 billion or more or with foreign offices already are required to file the FFIEC 031, which generally aligns with the standards for Category I, II, and III institutions.³¹ Also, modifying the scope of the Call Report in this manner would enable the agencies to streamline Schedule RC-R, Part I, of the FFIEC 041 report by removing data items that apply only to the limited number of current advanced approaches institutions currently

²⁹ The agencies do not believe reporting form or instructional clarifications are needed to reflect capital requirements that would apply to institutions subject to Category I, II, or IV capital standards under the domestic interagency tailoring and foreign interagency tailoring NPRs.

³⁰ See 84 FR 22009 (May 15, 2019).

³¹ Institutions that are subsidiaries of institutions subject to Category I, II, or III capital standards also are considered Category I, II, or III institutions under the domestic interagency tailoring and foreign interagency tailoring NPRs, and would be treated similarly for this change in reporting scope.

eligible to file the FFIEC 041 report and to any future institutions that would, absent this change in scope, be eligible to file the FFIEC 041 report.

2. Proposed Revisions to Call Report Schedule RC-R, Part I

In order to implement the clarifications for institutions subject to Category III capital standards, as discussed above the agencies propose to require all Category III institutions to file the FFIEC 031 Call Report and to revise the caption for Schedule RC-R, Part I, item 45, “Advanced approaches institutions only: Supplementary leverage ratio information,” on the FFIEC 031 Call Report. Specifically, the agencies propose to clarify that item 45 (proposed to be renumbered as item 55) applies to “advanced approaches and Category III institutions” on the FFIEC 031 report form. Item 45 would be removed from the FFIEC 041 report form. The instructions for Schedule RC-R, Part I, item 45 (proposed to be renumbered as item 55), in the FFIEC 031-FFIEC 041 instruction book also would be revised in the same manner. The general instructions for Schedule RC-R, Part I, in the FFIEC 031-FFIEC 041 instruction book also would be clarified to indicate that Category III institutions are not required to calculate risk-weighted assets according to the advanced approaches rule, but are subject to the supplementary leverage ratio and countercyclical capital buffer.

3. Proposed Revisions to the FFIEC 101

To implement the clarification for institutions subject to Category III capital standards, the agencies propose to revise the instructions for the scope of the FFIEC 101. Specifically, the instructions would be revised to clarify that top-tier Category III bank holding companies, savings and loan holding companies, and insured depository institutions, and all U.S. intermediate holding companies, must complete FFIEC 101

Schedule A, SLR Tables 1 and 2, only.³² All Category IV institutions would not complete or file any part of the FFIEC 101.

D. Proposed Total Loss Absorbing Capacity Holdings Rule

1. Background

On April 8, 2019, the agencies published an NPR that would address an advanced approaches banking organization's regulatory capital treatment of an investment in unsecured debt instruments issued by foreign or U.S. global systemically important banks (GSIBs) for the purposes of meeting minimum total loss absorbing capacity (TLAC) and, where applicable, long-term debt (LTD) requirements, or liabilities issued by GSIBs that are pari passu or subordinated to such debt instruments (TLAC Holdings NPR).³³ Under the TLAC Holdings NPR, investments by an advanced approaches banking organization in certain unsecured debt instruments generally would be subject to deduction from the advanced approaches banking organization's regulatory capital if such investments exceed certain thresholds. The Board also proposed to require that banking organizations subject to minimum TLAC and LTD requirements under Board regulations publicly disclose their TLAC and LTD issuances in a manner described in the TLAC Holdings NPR.

³² Any Category III banking organization that is a consolidated subsidiary of a top-tier Category III bank holding company, savings and loan holding company, or insured depository institution would not complete or file any part of the FFIEC 101. Those subsidiary banking organizations would report SLR data on Schedule RC-R of the Call Report.

³³ 84 FR 13814 (April 8, 2019).

The agencies are proposing changes to Call Report Schedule RC-R, Part I, Regulatory Capital Components and Ratios, and FFIEC 101 Schedule A, Advanced Approaches Regulatory Capital, to implement the changes proposed to the agencies' capital rule. If modifications are made to the proposed TLAC holdings rule when it is adopted in final form, the agencies would modify the Call Report and FFIEC 101 proposals to incorporate such changes.

2. Proposed Revisions to Call Report Schedule RC-R, Part I

Under the TLAC Holdings NPR, advanced approaches banking organizations would report the total amount of deductions related to investments in own CET1, additional tier 1, and tier 2 capital instruments; investments in own covered debt instruments, if applicable; reciprocal cross holdings; non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that exceed certain thresholds; certain investments in excluded covered debt instruments, as applicable; and significant investments in the capital and covered debt instruments of unconsolidated financial institutions. Any deductions related to covered debt instruments and excluded covered debt instruments (together, TLAC debt holdings) would be applied at the level of tier 2 capital under the agencies' existing regulatory capital rule. Any required deduction would be made using the "corresponding deduction approach," by which an advanced approaches banking organization would deduct TLAC debt holdings first from tier 2 capital and, if it had insufficient tier 2 capital to make the full requisite deduction, deduct the remaining amount from additional tier 1 capital and then, if necessary, from CET1 capital.

In order to implement these proposed changes, the agencies propose to make a number of revisions to the instructions for Schedule RC-R, Part I, that would be applicable to advanced approaches banking organizations and would be included in the FFIEC 031-FFIEC 041 instruction book. Specifically, the agencies propose to revise the instructions for items 11, 17, 24, and 33 (proposed to be renumbered as item 45) to effectuate the deductions from regulatory capital for advanced approaches banking organizations related to investments in covered debt instruments and excluded covered debt instruments. These changes would generally align with the Board's proposed amendments to FR Y-9C, Schedule HC-R, Part I, issued in conjunction with the TLAC Holdings NPR.³⁴

3. Proposed Revisions to Call Report Schedule RC-R, Part II

The agencies also are proposing to revise the instructions for Schedule RC-R, Part II, that would be applicable to advanced approaches banking organizations and would be included in the FFIEC 031-FFIEC 041 instruction book. Specifically, the agencies propose to revise the instructions for items 2.a, 2.b, 7, and 8 to incorporate investments in covered debt instruments and excluded debt instruments, as applicable, by advanced approaches banking organizations in their calculation of risk-weighted assets. These changes would generally align with the Board's proposed amendments to FR Y-9C, Schedule HC-R, Part II, issued in conjunction with the TLAC Holdings NPR.

³⁴ See 84 FR 13823-13824 (April 8, 2019).

4. Proposed Revisions to FFIEC 101 Schedule A

i. Deductions from Regulatory Capital

The agencies propose to make a number of revisions to the instructions for FFIEC 101 Schedule A and add a new data item to this schedule. Specifically, the agencies propose to revise the instructions for existing items 52 through 54 and add a new data item to effectuate any deductions from regulatory capital for advanced approaches banking organizations for investments in excluded covered debt instruments, as described in Section II.D.2. above. Existing item 56, “Other deductions from tier 2 capital,” would be renumbered and recaptioned as item 56.b, “All other deductions from tier 2 capital.” The new item would be inserted as item 56.a, “Investments in excluded covered debt instruments,” which would be applicable only to global systemically important bank holding companies (GSIBs) and subsidiaries of GSIBs.

ii. LTD and TLAC Amounts, Ratios, and Buffer

In conjunction with the issuance of the TLAC Holdings NPR, the Board also proposed revisions to the FR Y-9C, Schedule HC-R, Part I, that would collect information from U.S. GSIBs and the intermediate holding companies of foreign GSIBs. Specifically, the proposed items would collect information on these holding companies’ LTD and TLAC amounts, LTD and TLAC ratios, and TLAC buffer.

Since the minimum LTD and TLAC requirements and TLAC buffer are only applied at the holding company-level, the agencies are not proposing to amend the FFIEC 101 to include this information. Collecting this information in the FFIEC 101 would be a duplicative reporting requirement and would only be applicable to a subset of FFIEC 101 filers. However, the agencies are interested in public feedback on this issue,

especially if commenters believe including these items would enhance or simplify public disclosure.

E. Proposed Revisions to the Supplementary Leverage Ratio for Certain Central Bank Deposits of Custodial Banks

1. Background

On April 30, 2019, the agencies published an NPR that would implement section 402 of the EGRRCPA (section 402). Section 402 directs the agencies to amend the capital rule³⁵ to exclude from the SLR certain central bank deposits of custodial banks. Section 402 defines a custodial bank as any depository institution holding company predominantly engaged in custody, safekeeping, and asset servicing activities, including any IDI subsidiary of such a holding company.³⁶

Under the proposed rulemaking, a depository institution holding company would be considered predominantly engaged in custody, safekeeping, and asset servicing activities if the U.S. top-tier depository institution holding company in the organization has a ratio of assets under custody-to-total assets of at least 30:1. The proposal would define such a depository institution holding company, together with any subsidiary depository institution, as a “custodial banking organization.”³⁷ Under the proposal, a

³⁵ See 12 CFR part 3 (OCC); 12 CFR part 217 (Board); 12 CFR part 324 (FDIC).

³⁶ See generally Pub. L. 115-174, sec. 402.

³⁷ For purposes of this proposed rulemaking, the OCC’s capital rule would be revised to include a definition of “custody bank,” defined as a national bank or Federal savings association that is a subsidiary of a depository institution holding company that is a custodial banking organization under 12 CFR 217.2. Similarly, the FDIC’s capital rule

custodial banking organization would exclude deposits placed at a “qualifying central bank” from the denominator of the SLR. For purposes of the proposal, a qualifying central bank would mean a Federal Reserve Bank, the European Central Bank, or a central bank of a member country of the Organisation for Economic Co-operation and Development (OECD)³⁸ if the country’s sovereign exposures qualify for a zero percent risk weight under section 32 of the capital rule and the sovereign debt of such member country is not in default or has not been in default during the previous five years. The amount of central bank deposits that could be excluded from the denominator of the SLR would be limited by the amount of deposit liabilities on the consolidated balance sheet of the custodial banking organization that are linked to fiduciary or custody and safekeeping accounts.

The agencies are proposing changes to the instructions for Call Report Schedule RC-R and FFIEC 101 Schedule A, that would implement the proposed changes to the agencies’ capital rule.³⁹ If modifications are made to the proposed custodial bank rule when it is adopted in final form, the agencies would modify the Call Report and FFIEC 101 proposals to incorporate such changes.

would be revised to include a definition of “custody bank,” defined as an FDIC-supervised institution that is a subsidiary of a depository institution holding company that is a custodial banking organization under 12 CFR 217.2.

³⁸ The OECD is an intergovernmental organization founded in 1961 to stimulate economic progress and global trade. A list of OECD member countries is available on the OECD’s website, www.oecd.org.

³⁹ In connection with the NPR to implement section 402 of the EGRRCPA, the Board will separately propose to make corresponding revisions to the Consolidated Financial Statements for Holding Companies (FR Y-9C).

2. Proposed Revisions to Call Report Schedule RC-R, Part I

As described in Section II.E.1. above, revisions have been proposed to the calculation of the total leverage exposure, which is the denominator of the SLR. Currently, the instructions for Schedule RC-R, Part I, item 45.a, “Total leverage exposure,” reference section 10(c)(4) of the agencies’ capital rule. However, the proposed revisions to implement section 402 would allow an organization that qualifies as a “custodial banking organization” to exclude deposits placed at a “qualifying central bank” from the total leverage exposure, limited to the amount of deposit liabilities on the consolidated balance sheet of the custodial banking organization that are linked to fiduciary or custody and safekeeping accounts. Therefore, if the rule is implemented as proposed, the capital rule would be modified through the incorporation of section 402. Accordingly, the agencies would make corresponding modifications to the instructions for the calculation of the total leverage exposure for institutions that qualify as a “custodial banking organization” and the reporting of this exposure in Schedule RC-R, Part I, item 45.a (which would become item 54.a, as proposed above).

3. Proposed Revisions to FFIEC 101 Schedule A

Similar to its effect on the Call Report, the agencies’ proposal to implement section 402, as discussed in section II.E.1. above, would also revise the total leverage exposure calculation that would be reported on the FFIEC 101 Schedule A. Currently, there are two calculations for the total leverage exposure in Schedule A, one is contained in SLR Table 1 and the other is in SLR Table 2. The agencies invite comment on the addition of a new data item to both tables in FFIEC 101 Schedule A for the qualifying central bank deduction. The new reporting item would be placed between existing data

items 1.7 and 1.8 in SLR Table 1, with the instructions for the total leverage exposure expected to include the new reporting item in the total calculation. Similarly, for SLR Table 2, the new reporting item would be placed between data items 2.2 and 2.3 and the total leverage exposure would be modified to include the new reporting item in the total calculation.

F. Proposed Standardized Approach for Counterparty Credit Risk on Derivative

Contracts

1. Background

On December 17, 2018, the agencies published an NPR to implement a new approach for calculating the exposure amount of derivative contracts under the capital rule: the standardized approach for counterparty credit risk (SA-CCR) (SA-CCR proposal).⁴⁰

The SA-CCR proposal would replace the current exposure methodology (CEM) with SA-CCR in the capital rule for advanced approaches institutions. Under the advanced approaches, an advanced approaches institution would have to choose either SA-CCR or the internal models methodology to calculate the exposure amount of its noncleared and cleared derivative contracts and use SA-CCR to determine the risk-weighted asset amount of its default fund contributions. In addition, an advanced approaches institution would be required to use SA-CCR (instead of CEM) to calculate the exposure amount of its noncleared and cleared derivative contracts and to determine

⁴⁰ 83 FR 64660 (December 17, 2018).

the risk-weighted asset amount of its default fund contributions under the standardized approach, as well as to determine the exposure amount of its derivative contracts for purposes of the SLR.

Under the SA-CCR proposal, a non-advanced approaches institution would be able to use either CEM or SA-CCR to calculate the exposure amount of its noncleared and cleared derivative contracts and to determine the risk-weighted asset amount of its default fund contributions under the standardized approach. A Category III banking organization would also use SA-CCR for calculating its SLR if it chooses to use SA-CCR to calculate its derivative and default fund exposures.

The agencies propose to revise the instructions for Call Report Schedule RC-R, Part II, as well as to SLR Table 2 in FFIEC 101 Schedule A, to implement the proposed changes to the calculation of the exposure amount of derivative contracts under the agencies' capital rule. If modifications are made to the SA-CCR proposal when it is adopted in final form, the agencies would modify the Call Report and FFIEC 101 proposals to incorporate such changes.

2. Proposed Revisions to Call Report Schedule RC-R, Part II

A banking organization must report the notional amount and regulatory capital exposure amount of its derivatives exposures in Schedule RC-R, Part II. The agencies propose to revise the instructions for Schedule RC-R, Part II, consistent with the SA-CCR proposal. Generally, the proposed revisions to the reporting of derivatives elements in Schedule RC-R, Part II, are driven by the treatment of cleared derivatives' variation margin (settled-to-market versus collateralized-to-market), netting provisions impacting the calculations of notional and exposure amounts, and attributions of

derivatives to cleared versus noncleared derivatives. The General Instructions for Schedule RC-R, Part II, and the instructions for Schedule RC-R, Part II, items 20, 21, and Memorandum items 1 through 3 would be revised.

3. Proposed Revisions to FFIEC 101 Schedule A, SLR Table 2

An advanced approaches institution must report the exposure amount of its derivatives in SLR Table 2 of FFIEC 101 Schedule A. The agencies propose to revise the instructions for SLR Table 2 consistent with the SA-CCR proposal. In particular, institutions that are required to use SA-CCR for the purpose of the SLR would apply the SA-CCR-based exposure amount without consideration of the various collateral items currently listed in the instructions for SLR Table 2. Institutions that continue to use the current exposure method would use the current instructions to complete SLR Table 2.

G. High Volatility Commercial Real Estate (HVCRE) Land Development Proposal

1. Background

On September 28, 2018, the agencies published an HVCRE NPR to revise the HVCRE exposure definition in section 2 of the capital rule⁴¹ to conform to the statutory definition of an HVCRE ADC loan.⁴² Consistent with section 214 of the EGRRCPA, the agencies proposed in the HVCRE NPR to exclude credit facilities that finance the acquisition, development, or construction of one- to four-family residential properties from the definition of HVCRE exposure.

⁴¹ 12 CFR part 3 (OCC); 12 CFR part 217 (Board); and 12 CFR part 324 (FDIC).

⁴² See 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC).

Section 214 became effective upon enactment of the EGRRCPA. Accordingly, on July 6, 2018, the agencies issued a statement (interagency statement), advising institutions that, when determining which loans should be subject to a heightened risk weight, they may choose to continue to apply the current regulatory definition of HVCRE exposure, or they may choose to apply the heightened risk weight only to those loans they reasonably believe meet the definition of “HVCRE ADC loan” set forth in section 214 of the EGRRCPA.⁴³ Until the agencies take further action, institutions are advised to reference the interagency statement for purposes of the HVCRE exposure definition and regulatory reporting.

On July 23, 2019, the agencies published the HVCRE Land Development NPR,⁴⁴ which would expand upon the HVCRE NPR to revise the definition of HVCRE exposure in the capital rule by adding a new paragraph that provides that the exclusion for one- to four-family residential properties would not include credit facilities that solely finance land development activities, such as the laying of sewers, water pipes, and similar improvements to land, without any construction of one- to four-family residential structures. In order for a loan to be eligible for this exclusion, the credit facility would be required to include financing for construction of one- to four-family residential structures. This proposed revision to the capital rule would generally align with the instructions for item 1.a.(2) of Call Report Schedule RC-C, Part I, and FR Y-9C, Schedule HC-C.

⁴³ Board, FDIC, and OCC, *Interagency statement regarding the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA)*, <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20180706a1.pdf>.

⁴⁴ 84 FR 35344 (July 23, 2019).

Allowing institutions to apply a consistent definition of one- to four-family residential property and land development in this manner would simplify reporting requirements, reduce burden, and promote uniform application of the capital rule.

2. Proposed Revisions to Call Report Schedule RC-R, Part II

If the agencies adopt a final rule under section 214 of the EGRRCPA, such final rule would supersede the July 6, 2018, interagency statement and institutions would be required to apply the HVCRE definition in that rule. Therefore, the agencies are proposing conforming revisions to the instructions for Schedule RC-R, Part II, items 4.b and 5.b, in all versions of the Call Report. No revisions to the Call Report forms would be necessary.

3. Proposed Revisions to FFIEC 101 Schedule G

The changes to the HVCRE definition discussed above would also affect the instructions for Schedule G—Wholesale Exposure. Therefore, the agencies are proposing conforming revisions to the FFIEC 101 instructions to align with the new HVCRE definition in the final rule implementing section 214.

H. Operating Lease Liabilities

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, “Leases,” which added Topic 842, Leases, to the Accounting Standards Codification (ASC). Once ASU 2016-02 is effective for an institution, the ASU’s accounting requirements, as amended by certain subsequent ASUs, supersede ASC Topic 840, Leases.

The most significant change that ASC Topic 842 makes to the previous lease accounting requirements is to lessee accounting. Under the lease accounting standards in ASC Topic 840, lessees recognize lease assets and lease liabilities on the balance sheet for capital leases, but do not recognize operating leases on the balance sheet. The lessee accounting model under Topic 842 retains the distinction between operating leases and capital leases, which the new standard labels finance leases. However, the new standard requires lessees to record a right-of-use (ROU) asset and a lease liability on the balance sheet for operating leases. (For finance leases, a lessee's lease asset also is designated an ROU asset.) In general, the new standard permits a lessee to make an accounting policy election to exempt leases with a term of one year or less at their commencement date from on-balance sheet recognition.

For institutions that are public business entities, as defined under U.S. generally accepted accounting principles (GAAP), ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within those fiscal years. For institutions that are not public business entities, at present, the new standard is effective for fiscal years beginning after December 15, 2019, and interim reporting periods within fiscal years beginning after December 15, 2020.⁴⁵ Early application of the new standard is permitted for all institutions.

⁴⁵ On August 15, 2019, the FASB issued a proposal that would amend the effective date of ASC Topic 842 for institutions that are not public business entities. As proposed, ASC Topic 842 would be effective for such institutions for fiscal years beginning after December 15, 2020, and interim reporting periods within fiscal years beginning after December 15, 2021. The FASB would retain the existing effective date for ASC Topic 842 for public business entities. Early adoption would continue to be allowed.

The Call Report Supplemental Instructions for March 2019⁴⁶ stated that a lessee should report lease liabilities for operating leases and finance leases, including lease liabilities recorded upon adoption of the ASU, in Schedule RC-M, items 5.b, “Other borrowings,” and 10.b, “Amount of ‘Other borrowings’ that are secured,” which is consistent with the current Call Report instructions for reporting a lessee’s obligations under capital leases under ASC Topic 840. In response to this instructional guidance, the agencies received questions from institutions concerning the reporting of a bank lessee’s lease liabilities for operating leases. These institutions indicated that reporting operating lease liabilities as other liabilities instead of other borrowings would better align the reporting of the single noninterest expense item for operating leases in the income statement (which is the presentation required by ASC Topic 842) with their balance sheet classification and would be consistent with how these institutions report operating lease liabilities internally.

The agencies have considered the views expressed by these institutions and propose to require that operating lease liabilities be reported on the Call Report balance sheet in Schedule RC, item 20, “Other liabilities.” In Schedule RC-G, Other Liabilities, operating lease liabilities would be reported in item 4, “All other liabilities.” In subitems of Schedule RC-G, item 4, institutions must itemize and describe any components of this item in amounts greater than \$100,000 that exceed 25 percent of the amount reported in item 4. Because of the expected prevalence of operating lease liabilities, the agencies also propose to add a new subitem with the preprinted caption “Operating lease

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https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_FFIEC051_suppinst_201903.pdf.

liabilities” to item 4 to facilitate the reporting of these liabilities when their amount exceeds the reporting threshold for itemizing and describing components of “All other liabilities.”

As described in the Call Report Supplemental Instructions for June 2019, while the agencies are in the process of proposing this instructional revision, the agencies are permitting institutions to report the lease liability for operating leases in either Schedule RC-G, item 4, “All other liabilities,” or Schedule RC-M, item 5.b, “Other borrowings.”⁴⁷ If an institution chooses the latter reporting treatment, the amount of operating lease liabilities reported in Schedule RC-M, item 5.b, should also be reported in Schedule RC-M, item 10.b, “Amount of ‘Other borrowings’ that are secured,” and this amount should not be reported in Schedule RC-O, item 7, as “Unsecured ‘Other borrowings’.” An institution may choose to amend the reporting of operating lease liabilities in its Call Report for March 31, 2019, consistent with this instructional guidance.

I. Reporting Home Equity Lines of Credit That Convert From Revolving to Non-Revolving Status

Institutions report the amount outstanding under revolving, open-end lines of credit secured by 1-4 family residential properties (commonly known as home equity lines of credit or HELOCs) in item 1.c.(1) of Schedule RC-C, Part I, Loans and Leases. The amounts of closed-end loans secured by 1-4 family residential properties are reported

⁴⁷ See the Call Report Supplemental Instructions for June 2019, https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_FFIEC051_suppinst_201906.pdf.

in Schedule RC-C, Part I, item 1.c.(2)(a) or (b), depending on whether the loan is a first or a junior lien.⁴⁸

A HELOC is a line of credit secured by a lien on a 1–4 family residential property that generally provides a draw period followed by a repayment period. During the draw period, a borrower has revolving access to unused amounts under a specified line of credit. During the repayment period, the borrower can no longer draw on the line of credit, and the outstanding principal is either due immediately in a balloon payment or repaid over the remaining loan term through monthly payments. Because the Call Report instructions do not address the reporting treatment for a home equity line of credit when it reaches its end-of-draw period and converts from revolving to nonrevolving status, the agencies have found diversity in how these credits are reported in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and in other Call Report items that use the definitions of these three loan categories.

In September 2015, to address this absence of instructional guidance and promote consistency in reporting, the agencies proposed to clarify the instructions for reporting loans secured by 1–4 family residential properties by specifying that after a revolving open-end line of credit has converted to non-revolving closed-end status, the loan should be reported as closed-end in Schedule RC-C, Part I, item 1.c.(2)(a) or (b), as appropriate.⁴⁹ As discussed in a subsequent notice,⁵⁰ the agencies received a number of

⁴⁸ Institutions report additional information on open-end and closed-end loans secured by 1–4 family residential properties in certain other Call Report schedules in accordance with the loan category definitions in Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b).

⁴⁹ See 80 FR 56539 (September 18, 2015).

comments that raised concerns with the proposal. In particular, some commenters stated that reclassifying HELOCs after the draw period could raise operational challenges for institutions' loan systems that would require additional time to implement. Based on the feedback received, the agencies did not proceed with their proposed instructional clarification at that time.

The agencies continue to believe that it is important to collect accurate data on loans secured by 1-4 family residential properties in the Call Report. Consistent classification of HELOCs based on the status of the draw period is particularly important for the agencies' safety and soundness monitoring. Due to the structure of HELOCs discussed above, borrowers generally are not required to make principal repayments during the draw period, which may create a financial shock for borrowers when they must make a balloon payment or begin regular monthly repayments after the draw period. With some institutions reporting HELOCs past the draw period as revolving, this increases the amounts outstanding, charge-offs, recoveries, past dues, and nonaccruals reported in the open-end category relative to the amounts reported by institutions that treat HELOCs past the draw period as closed-end, which makes the data less useful for agency comparisons and safety and soundness monitoring. In addition, in ASU No. 2019-04,⁵¹ the FASB amended ASC Subtopic 326-20 on credit losses to require that, when presenting credit quality disclosures in notes to financial statements prepared in accordance with U.S. GAAP, an entity must separately disclose line-of-credit

⁵⁰ See 81 FR 45357 (July 13, 2016).

⁵¹ ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," issued in April 2019.

arrangements that are converted to term loans from line-of-credit arrangements that remain in revolving status. After further review, the agencies have determined that there would be little or no impact to the regulatory capital calculations, FDIC deposit insurance assessments, or other regulatory reporting requirements as a result of this clarification, which were other concerns previously raised by commenters.

Therefore, the agencies are re-proposing to clarify the Call Report instructions for Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), to state that revolving open-end lines of credit that have converted to non-revolving closed-end status should be reported as closed-end loans. The effect of this clarification would extend to the instructions for the following data items that reference the Schedule RC-C, Part I, loan category definitions for open-end and closed-end loans secured by 1-4 family residential properties:

- Schedule RI-B, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b);
- Schedule RC-C, Part I, Memorandum items 2.a.(1) through (6) and 2.b.(1) through (6);
- Schedule RC-M, items 13.a.(1)(c)(1), 13.a.(1)(c)(2)(a), and 13.a.(1)(c)(2)(b) on the FFIEC 031 and FFIEC 041;
- Schedule RC-N, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b);
- Schedule RC-N, items 12.a.(3)(a), 12.a.(3)(b)(1), and 12.a.(3)(b)(2) on the FFIEC 031 and FFIEC 041;
- Schedule RC-O, Memorandum items 18.b, 18.c, and 18.d on the FFIEC 031 and FFIEC 041;

- Schedule RC-S, Memorandum items 2.a, 2.b, and 2.c on the FFIEC 031 and FFIEC 041; and
- Schedule SU, items 6 and 6.a on the FFIEC 051.

This instructional clarification would not apply to the reporting of asset-backed securities collateralized by HELOCs in Schedule RC-B, Memorandum item 5.b, on the FFIEC 031 and FFIEC 041 and Schedule RC-D, Memorandum item 5.b on the FFIEC 031 and securitizations of closed-end 1-4 family residential loans and home equity lines in Schedule RC-S, columns A and B, on the FFIEC 031, and columns A and G on the FFIEC 041.

To address prior comments regarding the time needed for any systems changes, the agencies propose that compliance with the clarified instructions would not be required until the March 31, 2021, report date. Institutions not currently reporting in accordance with the clarified instructions would be permitted, but not required, to report in accordance with the clarified instructions before that date.

III. Timing

The agencies propose to make the capital-related reporting changes in this notice effective the same quarters as the effective dates of the various currently final or potential final capital rules discussed in this notice. The agencies also propose that the changes in the scope of the FFIEC 031 Call Report and in the reporting of operating lease liabilities would be effective March 31, 2020, and the changes in the reporting of construction, land development, and other land loans with interest reserves and home equity lines of credit would be effective March 31, 2021. The agencies invite comment on any difficulties that

institutions would expect to encounter in implementing the systems changes necessary to accommodate the proposed revisions to the Call Reports and the FFIEC 101 report or the minimum time required to make systems changes to implement these changes.

The specific wording of the captions for the new or revised Call Report data items discussed in this proposal and the numbering of these data items should be regarded as preliminary.

IV. Request for Comment

Public comment is requested on all aspects of this joint notice. Comment is specifically invited on:

- (a) As an alternative to the approach proposed for reporting in Schedule RC-R, Part I, in the FFIEC 041 and FFIEC 051 Call Reports for March 31, 2020, by non-advanced approaches institutions that choose not to early adopt the simplifications rule (discussed in Section II.A.1. above), which would have the agencies provide instructions on how such institutions should complete this schedule as of that report date, whether the agencies should instead provide separate columns in Schedule RC-R, Part I, in the FFIEC 041 and FFIEC 051 Call Reports for the March 31, 2020, report date that would enable institutions to report in either the column for the simplifications rule or the column for the current capital rule for that report date? This alternative approach would be similar to the proposed two-column approach in Schedule RC-R, Part I, for the FFIEC 031 Call Report, but the two columns would be included in the FFIEC 041 and FFIEC 051 Call Reports only for the March 31, 2020, report date and the second column would be removed from these

two reports effective June 30, 2020, when the simplifications rule would apply to all non-advanced approaches institutions.

- (b) For advanced approaches banking organizations, whether the agencies should include items related to LTD and TLAC amounts, ratios, and the TLAC buffer in the FFIEC 101. Please describe the benefits and drawbacks of including these items in the FFIEC 101.
- (c) For the reporting of derivatives data in Call Report Schedules RC-D, RC-F, RC-G, RC-L (or SU on the 051), and RC-R, Part II, the degree to which the agencies should align the reporting approaches applicable to these schedules. In particular, please describe how the agencies can ensure data consistency while reducing the burden of reporting the fair values, notional amounts, and exposure amounts of derivatives for settled-to-market and collateralized-to-market derivatives in Schedules RC-D, RC-F, RC-G, RC-L (or SU on the 051), and RC-R, Part II, as applicable. Please address whether the agencies should adopt a consistent classification of derivatives by asset class (e.g., interest rate, energy, and volatility derivative contracts) and by product type (e.g., cleared swap, futures contract, exchange-traded option).
- (d) Whether the proposed revisions to the collections of information that are the subject of this notice are necessary for the proper performance of the agencies' functions, including whether the information has practical utility;
- (e) The accuracy of the agencies' estimates of the burden of the information collections as they are proposed to be revised, including the validity of the methodology and assumptions used;
- (f) Ways to enhance the quality, utility, and clarity of the information to be collected;

- (g) Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and
- (h) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Comments submitted in response to this joint notice will be shared among the agencies.

Dated: October 1, 2019.

Theodore J. Dowd,
Deputy Chief Counsel,
Office of the Comptroller of the Currency.

Board of Governors of the Federal Reserve System, September 30, 2019.

Ann E. Misback,

Secretary of the Board.

Federal Deposit Insurance Corporation.
Dated at Washington, DC, on September 30, 2019.

Robert E. Feldman,
Executive Secretary

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