SCHEDULE SC-R – REGULATORY CAPITAL

General Instructions for SC-R

The instructions for Schedule SC-R should be read in conjunction with the regulatory capital rules issued by the Federal Reserve.

Under the Federal Reserve's regulatory capital rules, assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of the collateral. The aggregate dollar or exposure amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are added together, and generally this sum is the holding company's total risk weighted assets which comprises the denominator of the risk-based capital ratio.

The term "exposure" generally refers to loans to, securities issued by, balances due from, accrued interest receivable from, and all other exposures against the various entities with which the reporting holding company conducts its business. Generally, the exposure amount for on-balance sheet assets is the carrying value. In the case of derivative contracts, the exposure amount, or credit equivalent amount, is the sum of the current credit exposure (fair value of the contract, if positive) and the potential future exposure, subject to any applicable netting agreements. In the case of most off-balance sheet items, the exposure amount, or credit equivalent amount, is determined by multiplying the face value or notional amount of the off-balance sheet item by a credit conversion factor.

The revised regulatory capital rules also provide a definition in § .2 for the term *exposure amount*. The definition of exposure amount (discussed further below in this document) is used to determine the amount of an exposure that holding companies will report and risk weight on this schedule.

Credit Conversion Factors for Off-Balance Sheet Items – A summary of the credit conversion factors (CCFs) follows. For further information on these factors, refer to the regulatory capital rules. Note that where a holding company commits to provide a commitment, the holding company may apply the lower of the two applicable CCFs. Where a holding company provides a commitment structured as a syndication or participation, the holding company is only required to calculate the exposure amount for its pro rata share.

Off-balance sheet items subject to a zero percent conversion factor:
(1) Unused portions of commitments that are unconditionally cancellable at any time by the holding company.

Off-balance sheet items subject to a 20 percent conversion factor:
(1) Commercial and similar letters of credit with an original maturity of one year or less, including short-term, self-liquidating, trade-related contingent items that arise from the movement of goods.
(2) Commitments with an original maturity of one year or less that are not unconditionally cancelable.

Off-balance sheet items subject to a 50 percent conversion factor:

(1) Transaction-related contingent items, including performance standby letters of credit, bid bonds, performance bonds, and warranties.
(2) Commitments with an original maturity exceeding one year that are not unconditionally cancelable by the holding company, including underwriting commitments, commercial letters of credit, and commercial credit lines.

Off-balance sheet items subject to a 100 percent conversion factor:
(1) Financial standby letters of credit.
(2) Repo-style transactions, including off-balance sheet securities lending transactions, off-balance sheet securities borrowing transactions, and repurchase agreements.
(3) Guarantees, certain credit-enhancing representations and warranties, and forward agreements.

Part II: Risk-Weighted Assets

General Instructions for Part II

The instructions for Schedule SC-R, Part II, items 1 through 21 provide general directions for the allocation of holding company balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items to the risk weight categories in columns C through Q (and, for items 1 through 11 only, to the items adjusted from the totals reported in Schedule SC-R, Part II, column A in column B). These instructions should provide sufficient guidance for most holding companies for risk-weighting their balance sheet assets and credit equivalent amounts. However, these instructions do not address every type of exposure. Holding companies should review the Federal Reserve's regulatory capital rules for the complete description of the applicable capital requirements.

Exposure Amount Subject to Risk Weighting

In general, holding companies need to risk weight the exposure amount. The exposure amount is defined in §.2 of the regulatory capital rules as follows:

(1) For the on-balance sheet component of an exposure,[1] the holding company's carrying value of the exposure.

(2) For a security[2] classified as available-for-sale (AFS) or held-to-maturity (HTM) where the holding company has made the AOCI opt-out election in Schedule SC-R, Part I, item 3(a), the carrying value for the exposure (including net accrued but uncollected interest and fees)[3] less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI.

(3) For AFS preferred stock classified as an equity under GAAP where the holding company has made the AOCI opt-out election, the carrying value less any net unrealized gains that are reflected in such carrying value, but are excluded from the holding company's regulatory capital components.

(4) For the off-balance sheet component of an exposure,[4] the notional amount of the off-balance sheet component multiplied by the appropriate credit conversion factor (CCF) in §.33 of the regulatory capital rules.

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[1] Not including: (1) an available-for-sale or held-to-maturity security where the holding company has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule SC-R, Part I, item 3(a), (2) an over-the-counter (OTC) derivative contract, (3) a repo-style transaction or an eligible margin loan for which the holding company determines the exposure amount under §.37 of the regulatory capital rules, (4) a cleared transaction, (5) a default fund contribution, or (6) a securitization exposure.

[2] Not including: (1) a securitization exposure, (2) an equity exposure, or (3) preferred stock classified as an equity security under generally accepted accounting principles (GAAP).

[3] Where the holding company has made the AOCI opt-out election, accrued but uncollected interest and fees associated with available-for-sale (AFS) or held-to-maturity securities (HTM) that are not securitization exposures should be reported in Schedule SC-R, Part II, item 8, "All other assets."

[4] Not including: (1) an OTC derivative contract, (2) a repo-style transaction or an eligible margin loan for which the holding company calculates the exposure amount under §.37 of the regulatory capital rules, (3) a cleared transaction, (4) a default fund contribution, or (5) a securitization exposure,

(5) For an exposure that is an OTC derivative contract, the exposure amount determined under §.34 of the regulatory capital rules.

(6) For an exposure that is a derivative contract that is a cleared transaction, the exposure amount determined under §.35 of the regulatory capital rules.

(7) For an exposure that is an eligible margin loan or repo-style transaction (including a cleared transaction) for which the holding company calculates the exposure amount as provided in §.37, the exposure amount determined under §.37 of the regulatory capital rules.

(8) For an exposure that is a securitization exposure, the exposure amount determined under §.42 of the regulatory capital rules.

As indicated in the definition in §.2 of the regulatory capital rules, *carrying value* means with respect to an asset, the value of the asset on the balance sheet of the holding company determined in accordance with GAAP.

Amounts to Report in Column B

For items 1 through 9(d) and 11 of Schedule SC-R, Part II, column B should include the amount of the reporting holding company's on-balance sheet assets that are deducted or excluded (not risk weighted) in the determination of risk-weighted assets. Column B should include assets that are deducted from capital (subject to the transition provisions of the regulatory capital rules, as applicable) such as goodwill; intangibles; gain on sale of securitization exposures; threshold deductions above the 10 percent individual or 15 percent combined limits for (1) deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, (2) mortgage servicing assets, net of associated DTLs, and (3) significant investments in the capital of unconsolidated financial institutions in the form of common stock; and any other assets that must be deducted in accordance with the requirements of the Federal Reserve. Column B should also include items that are excluded from the calculation of risk-weighted assets, such as the allowance for loan and lease losses, allocated transfer risk reserves, and certain on-balance sheet asset amounts associated with derivative contracts that are included in the calculation of the credit equivalent amounts of the derivative contracts. In addition, for items 1 through 9(d) and 11 of Schedule SC-R, Part II, column B should include any difference between the balance sheet amount of an on-balance sheet asset and its exposure amount as described above under "Exposure Amount Subject to Risk Weighting." Similarly, item 10 of Schedule SC-R, Part II, column B should include any difference between the amount of an off-balance sheet item that is a securitization exposure and its exposure amount when the exposure amount will be risk weighted by applying a 1,250 percent risk weight. For items 1 through 9 and 11 of Schedule SC-R, Part II, the sum of columns B through Q must equal the balance sheet asset amount reported in column A. For item 10 of Schedule SC-R, Part II, the sum of columns B through Q must equal the amount of off-balance sheet items reported in column A.

For items 12 through 21 of Schedule SC-R, Part II, column B should include the credit equivalent amounts of the reporting holding company's derivative contracts and off-balance sheet items that are covered by the regulatory capital rules. For the off-balance sheet items in items 12 through 19, the credit equivalent amount to be reported in column B is calculated by multiplying the face, notional, or other amount reported in column A by the appropriate credit conversion factor. The credit equivalent amounts in column B are to be risk weighted in columns C through Q. For items 12 through 21 of Schedule SC-R, Part II, the sum of columns C through Q must equal the credit equivalent amount reported in column B.

Treatment of Collateral and Guarantees

The rules for recognition of collateral are in §.37 and pertinent definitions in §.2 of the regulatory capital rules. The extent to which qualifying securities are recognized as collateral for risk-based capital purposes is determined by their current market value adjusted by any applicable volatility haircuts and other requirements of the regulatory capital rules. If an exposure is partially secured, that is, the adjusted market value of the pledged securities is less than the face amount of an asset or off-balance sheet exposure, only the portion that is covered by the adjusted market value of the collateral is to be reported in the risk-weight category item appropriate to the type of collateral. The uncovered portion of the exposure continues to be assigned to the initial risk-weight category item appropriate to the exposure. The face amount of an exposure secured by multiple types of qualifying collateral is to be reported in the risk-weight category items appropriate to the collateral types, apportioned according to the adjusted market value of the types of collateral.

The rules for recognition of guarantees and credit derivatives are in §.36 and pertinent definitions in §.2 of the regulatory capital rules. A holding company may recognize the credit risk mitigation benefits of an eligible guarantee or eligible credit derivative by substituting the risk weight associated with the protection provider for the risk weight assigned to the exposure. Please refer to the definitions of *eligible guarantee, eligible guarantor*, and *eligible credit derivative* in §.2 of the regulatory capital rules. Note that in the definition of eligible guarantee, where the definition discusses continent guarantees, only contingent guarantees of the U.S. government or its agencies are recognized.

NOTE: Portions of exposures collateralized by deposits in <u>other</u> depository institutions in the United States (e.g., certificates of deposit issued by other banks or holding companies) should be risk weighted at 20 percent provided the reporting holding company has a perfected, first-priority security interest. For portions of exposures collateralized by deposits in foreign depository institutions, the risk weight will be determined according to Table 2 in §.32(d) of the regulatory capital rules and will depend on the Country Risk Classification (CRC) of the home country of the foreign depository institution, and provided the reporting holding company has a perfected first-priority security interest.

There is a general 20 percent risk weight floor on recognition of financial collateral. However, as indicated in §.37 of the regulatory capital rules, a holding company may assign a zero percent risk weight to the collateralized portion of an exposure where the financial collateral is cash on deposit at the bank. Under conditions specified in §.37 of the regulatory capital rules, a holding company may also assign a zero percent risk weight to the collateralized portion of an exposure where the financial collateral is U.S. Government securities, subject to a 20 percent discount to the fair value of the collateral. Also, as indicated in §.37, a holding company may assign a 10 percent risk weight to an OTC derivative contract that is marked-to-market daily and subject to daily margin maintenance, to the extent that the contract is collateralized by a sovereign exposure that qualifies for a zero percent risk weight under §.32 of the regulatory capital rules.

Treatment of Sales of 1-4 Family Residential First Mortgage Loans with Credit-Enhancing Representations and Warranties

When a holding company transfers mortgage loans with credit-enhancing representations and warranties in a transaction that qualifies for sale accounting under GAAP, the holding company will need to report and risk weight those exposures. The definition of "credit-enhancing representations and warranties" (CERWs) is found in §.2 of the regulatory capital rules. Most CERWs should be treated as securitization exposures for purposes of risk weighting. However, those CERWs that do not qualify as securitization exposures receive a 100 percent credit conversion factor as indicated in §.33 of the regulatory capital rules. For example, if the holding company has agreed to repurchase the loans that it has sold, it will generally need to risk weight those loans in Schedule SC-R, Part II, item 17 until the warranties expire. Note that CERWs do not include certain early default clauses and similar warranties that permit the return of, or premium refund clauses covering, 1-4 family residential mortgage loans that qualify for a 50 percent risk weight provided the warranty period does not exceed 120 days from the date of transfer.

> Example: A holding company sells $100 in qualifying 1-4 family residential first mortgage loans and agrees to repurchase them in case of early default for up to 180 days. This warranty exceeds the 120 day limit, and therefore the full $100 should be reported in Schedule SC-R, Part II, item 17 until the warranty expires.

If the holding company has made a credit-enhancing representation and warranty that is limited or capped (e.g., a warranty to cover first losses on loans up to a set amount that is less than the full loan amount), such warranties are regarded as securitization exposures under the regulatory capital rules as they represent a transaction that has been separated into at least two tranches reflecting different levels of seniority for credit risk. (Refer to the definitions of *securitization exposure, synthetic securitization*, *traditional securitization,* and *tranche* in §.2 of the regulatory capital rules.) The holding company will need to report and risk weight these warranties in Schedule SC-R, Part II, item 10 as off-balance sheet securitization exposures.

> Example: A holding company sells $100 in qualifying 1-4 family residential first mortgage loans and agrees to compensate the buyer up to $2 if the loans default during the first 12 months. Twelve months exceeds the 120 day limit and therefore these are credit enhancing representations and warranties. They are also securitization exposures because the $2 is effectively a first loss tranche on a $100 transaction. For purposes of reporting this transaction in Schedule SC-R, Part II, item 10, the holding company should report $100 in Column A, an adjustment of -$98 in Column B, and then $2 in Column Q as an exposure amount that is risk weighted by applying a 1,250 percent risk weight (if the holding company does not use the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach for purposes of risk weighting its securitization exposures). The holding company will not need to report any amount in column R or S unless it uses the SSFA or Gross-Up Approach for calculating the risk weighted asset amount for this transaction.

Treatment of Exposures to Sovereign Entities and Foreign Banks

These instructions contain several references to Country Risk Classifications (CRC) used by the Organization for Economic Cooperation and Development (OECD). The CRC methodology classifies countries into one of eight risk categories (0-7), with countries assigned to the zero category having the lowest possible risk assessment and countries assigned to the 7 category having the highest possible risk assessment. The OECD regularly updates CRCs for more than 150 countries and makes the assessments publicly available on its website.[5] The OECD does not assign a CRC to every country; for example, it does not assign a CRC to a number of major economies; it also does not assign a CRC to many smaller countries. As such, the table below also provides risk weights for countries with no CRC based on whether or not those particular countries are members of the OECD. In addition, there is a higher risk weight of 150 percent for any country that has defaulted on its sovereign debt within the past 5 years, regardless of the CRC rating.

Risk weights for reported balance sheet (items 1 through 11) and off-balance sheet (items 12 through 21) exposures are to be assigned based upon the tables below:

- Exposures to foreign central governments (including foreign central banks):

		Risk Weight (%)
Home Country CRC	0-1	0
	2	20
	3	50
	4-6	100
	7	150
OECD Member with No CRC		0
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

- Exposures to foreign banks:

		Risk Weight (%)
Home Country CRC	0-1	20
	2	50
	3	100
	4-7	150
OECD Member with No CRC		20
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

- General obligation exposures to foreign public sector entities:

	Risk Weight (%)

[5] *See* http://www.oecd.org/trade/xcred/crc.htm.

Home Country CRC	0-1	20
	2	50
	3	100
	4-7	150
OECD Member with No CRC		20
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

- Revenue obligation exposures to foreign public sector entities:

		Risk Weight (%)
Home Country CRC	0-1	50
	2-3	100
	4-7	150
OECD Member with No CRC		50
Non-OECD Member with No CRC		100
Countries with Sovereign Default in Previous Five Years		150

All risk-weight categories pertaining to exposures to central foreign governments:

- All exposures to foreign central governments may be assigned a lower risk weight if the following conditions are met: (1) the exposures are denominated in the particular foreign country's local currency; (2) the holding company has at least equivalent liabilities in that currency; and (3) the risk weight is not lower than the risk weight that particular foreign country allows under its jurisdiction to assign to the same exposures to that country.

Summary of Risk Weights for Exposures to Government and Public Sector Entities

The following are some of the most common exposures to government and public sector entities and the risk weights that apply to them:

Column C – 0% column:

- All exposures (defined broadly to include securities, loans, and leases) that are direct exposures to, or the portion of exposures that are directly and unconditionally guaranteed by, the U.S. Government, or U.S. Government agencies. This includes the portions of deposits insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).
- Exposures that are collateralized by cash on deposit in the reporting holding company.
- Exposures that are collateralized by securities issued or guaranteed by the U.S. Government, or other sovereign governments that qualify for the zero percent risk weight. Collateral value must be adjusted under §.37 of the regulatory capital rules.
- Exposures to, and the portions of exposures guaranteed by, the Bank for International Settlements, the European Central Bank, the European Commission, the International Monetary Fund, or a multilateral development bank (as specifically defined in §.2 of the regulatory capital rules).

Column G – 20% column:

- The portion of exposures that are conditionally guaranteed by the U.S. Government or U.S. Government agencies. This includes exposures, or the portion of exposures, conditionally guaranteed by the FDIC or the NCUA.
- The portion of exposures that are collateralized by cash on deposit in the holding company or by securities issued or guaranteed by the U.S. Government or U.S. Government agencies that are not included in zero percent column.
- General obligation exposures to U.S. states, municipalities, or other political subdivisions of the U.S.
- Exposures to U.S. government sponsored entities (GSEs) other than equity exposures or preferred stock, and risk sharing securities.

Column H– 50% column:
- Revenue obligation exposures to U.S. states, municipalities, or other political subdivisions of the U.S.

Column I– 100% column:
- Preferred stock of U.S. GSEs.

Risk Weighted Assets for Securitization Exposures

Under the regulatory capital rules, three separate approaches are available for setting the regulatory capital requirements for securitization exposures, as defined in §.2 of the regulatory capital rules. Securitization exposures include asset-backed and mortgage-backed securities, other positions in securitization transactions, re-securitizations, and structured finance programs[6] (except credit-enhancing interest-only strips). In general, under each of the three approaches, the risk-based capital requirement for a position in a securitization or structured finance program (hereafter referred to collectively as a securitization) is computed by multiplying the calculated amount of the position by the appropriate risk weight. The three approaches to determining the proper risk weight for a securitization exposure are the Simplified Supervisory Formula Approach (SSFA), the Gross-Up Approach, or the 1,250 Percent Risk Weight Approach.

If a securitization exposure is not an after-tax gain-on-sale resulting from a securitization that requires deduction, or the portion of credit enhancing interest-only (CEIO) strip that does not constitute an after-tax gain-on-sale,[7] a holding company may assign a risk weight to the securitization exposure using the SSFA if certain requirements are met. A holding company that files the Y-9SP may also assign a risk weight to the securitization exposure using the Gross-Up Approach if certain requirements are met. However, the holding company must apply either the SSFA or the Gross-Up Approach consistently across all of its securitization exposures. If the holding company cannot, or chooses not to, apply the SSFA or the Gross-Up Approach to an individual securitization exposure, the holding company must assign a 1,250 percent risk weight to that exposure.

Both traditional and synthetic securitizations must meet certain operational requirements before applying either the SSFA or Gross-Up Approaches. Furthermore, holding companies must complete certain due diligence requirements and satisfactorily demonstrate a comprehensive

[6] Structured finance programs include, but are not limited to, collateralized debt obligations.
[7] Consistent with the regulatory capital rules, a holding company must deduct from common equity tier 1 capital any after-tax gain-on-sale resulting from a securitization and must apply a 1,250 percent risk weight to the portion of a CEIO strip that does not constitute an after-tax gain-on-sale.

understanding of the features of the securitization exposure that would materially affect the performance of the exposure. If these due diligence requirements are not met, the holding company must assign the securitization exposure a risk weight of 1,250 percent. The holding company's analysis must be commensurate with the complexity of the securitization exposure and the materiality of the exposure in relation to its capital. Holding companies should refer to the regulatory capital rules to review the details of these operational and due diligence requirements.

For example, a holding company not subject to the market risk rules has 12 securitization exposures. The operational and due diligence requirements have been met for 10 of the exposures, to which the holding company applies the Gross-Up Approach. The holding company then assigns a 1,250 percent risk weight to the other two exposures. Alternatively, the holding company could assign a 1,250 percent risk weight to all 12 securitization exposures.

<u>a. Exposure Amount Calculation</u>

The exposure amount of an on-balance sheet securitization exposure that is not an available-for-sale or held-to-maturity security where the holding company has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule SC-R, Part I, item 3(a), a repo-style transaction, an eligible margin loan, an over-the-counter (OTC) derivative contract, or a cleared transaction is equal to the carrying value of the exposure.

The exposure amount of an off-balance sheet securitization exposure that is not a repo-style transaction, an eligible margin loan, a cleared transaction (other than a credit derivative), an OTC derivative contract (other than a credit derivative), or an exposure to an asset-backed commercial paper (ABCP) program is the notional amount of the exposure.

For an off-balance sheet securitization exposure to an ABCP program, such as an eligible ABCP liquidity facility, the notional amount may be reduced to the maximum potential amount that the holding company could be required to fund given the ABCP program's current underlying assets (calculated without regard to the current credit quality of those assets). An exposure amount of an eligible ABCP liquidity facility for which the SSFA does not apply is calculated by multiplying the notional amount of the exposure by a credit conversion factor (CCF) of 50 percent. An exposure amount of an eligible ABCP liquidity facility for which the SSFA does apply is calculated by multiplying the notional amount of the exposure by a CCF of 100 percent.

The exposure amount of a securitization exposure that is a repo-style transaction, eligible margin loan, or derivative contract (other than a credit derivative) is the exposure amount of the transaction as calculated using the instructions for calculating the exposure amount of over-the-counter derivatives or collateralized transactions outlined in §.34 or §.37, respectively, of the regulatory capital rules.

If a holding company has multiple securitization exposures that provide duplicative coverage to the underlying exposures of a securitization, the holding company is not required to hold duplicative risk-based capital against the overlapping position. Instead, the holding company may apply to the overlapping position the applicable risk-based capital treatment that results in the highest risk-based capital requirement.

If a holding company provides support to a securitization in excess of the holding company's contractual obligation to provide credit support to the securitization (implicit support) it must include in risk-weighted assets all of the underlying exposures associated with the securitization as if the exposures had not been securitized and must deduct from common equity tier 1 capital any after-tax gain-on-sale resulting from the securitization.

b. Simplified Supervisory Formula Approach (SSFA)

To use the SSFA to determine the risk weight for a securitization exposure, a holding company must have data that enables it to accurately assign the parameters. The data used to assign the parameters must be the most currently available data and no more than 91 calendar days old. A holding company that does not have the appropriate data to assign the parameters must assign a risk weight of 1,250 percent to the exposure. See the operational requirements outlined in §.43 of the regulatory capital rules for further instructions.

To calculate the risk weight for a securitization exposure using the SSFA, a holding company must have accurate information on the following five inputs to the SSFA calculation:

- Parameter K_G is the weighted-average (with unpaid principal used as the weight for each exposure) total capital requirement of the underlying exposures calculated. K_G is expressed as a decimal value between zero and 1 (that is, an average risk weight of 100 percent represents a value of K_G equal to .08).

- Parameter W is the ratio of the sum of the dollar amounts of any underlying exposures within the securitized pool to the ending balance, measured in dollars, of underlying exposures, that meet any of the following criteria: (1) 90 days or more past due; (2) subject to a bankruptcy or insolvency proceeding; (3) in the process of foreclosure; (4) held as real estate owned; (5) has contractually deferred interest payments for 90 days or more (other than in the case of deferments on federally guaranteed student loans and certain consumer loans deferred according to provisions in the contract); or (6) is in default. Parameter W is expressed as a decimal value between zero and one.

- Parameter A is the attachment point for the exposure, which represents the threshold at which credit losses will first be allocated to the exposure. Parameter A equals the ratio of the current dollar amount of underlying exposures that are subordinated to the exposure of the holding company to the current dollar amount of underlying exposures. Any reserve account funded by the accumulated cash flows from the underlying exposures that is subordinated to the holding company's securitization exposure may be included in the calculation of parameter A to the extent that cash is present in the account. Parameter A is expressed as a decimal value between zero and one.

- Parameter D is the detachment point for the exposure, which represents the threshold at which credit losses of principal allocated to the exposure would result in a total loss of principal. Parameter D equals parameter A plus the ratio of the current dollar amount of the securitization exposures that are pari passu with the exposure (that is, have equal seniority with respect to credit risk) to the current dollar amount of the underlying exposures. Parameter D is expressed as a decimal value between zero and one.

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- A supervisory calibration parameter, p, is equal to 0.5 for securitization exposures that are not resecuritization exposures and equal to 1.5 for resecuritization exposures.

There are three steps to calculating the risk weight for a securitization using the SSFA. First, a holding company must complete the following equations using the previously described parameters:

$$K_A = (1 - W) \cdot K_G + (0.5 \cdot W)$$
$$a = -\frac{1}{p \cdot K_A}$$
$$u = D - K_A$$
$$l = \max(A - K_A, 0)$$
$e = 2.71828$, the base of the natural logarithms

Second, using the variables calculated in first step, find the value of K_{SSFA} using the formula below:

$$K_{SSFA} = \frac{e^{a \cdot u} - e^{a \cdot l}}{a(u - l)}$$

Third, the risk weight of any particular securitization exposure (expressed as a percent) will be equal to:

$$K_{SSFA} \times 1{,}250$$

To determine the risk-based capital requirement under the SSFA, multiply the exposure amount by the higher of either (1) the calculated risk weight or (2) a 20 percent risk weight.

c. Gross-Up Approach

A holding company that files the Y-9SP may apply the Gross-Up Approach instead of the SSFA to determine the risk weight of its securitization exposures, provided that it applies the gross-up approach consistently to all of its securitization exposures.

To calculate the risk weight for a securitization exposure using the gross-up approach, a holding company must calculate the following four inputs:

1. Pro rata share, which is the par value of the holding company's securitization exposure as a percent of the par value of the tranche in which the securitization exposure resides.

2. Enhanced amount, which is the par value of the tranches that are more senior to the tranche in which the holding company's securitization resides.

3. Exposure amount of the holding company's securitization exposure.

4. Risk weight, which is the weighted-average risk weight of underlying exposures in the securitization pool.

The holding company would calculate the credit equivalent amount which is equal to the sum of the exposure amount of the holding company's securitization exposure (3) and the pro rata share (1) multiplied by the enhanced amount (2).

A holding company must assign the higher of the weighted-average risk weight (4) or a 20 percent risk weight to the securitization exposure using the Gross-Up Approach.

To determine the risk-based capital requirement under the Gross-Up Approach, multiply the higher of the two risk weights by the credit equivalent amount. These steps are outlined in the worksheet below:

Gross-Up Approach Worksheet to Calculate the Capital Charge for a Securitization

(a)	Currently outstanding par value of the holding company's subordinated security divided by the currently outstanding par value of the entire tranche (e.g., 60%[8])	____________
(b)	Currently outstanding par value of the more senior positions in the securitization that are supported by the tranche in which the holding company owns a subordinated security	____________
(c)	Pro rata share of the more senior positions currently outstanding in the securitization that are supported by the holding company's subordinated security: enter (b) multiplied by (a)	____________
(d)	Face amount[9] of the holding company's subordinated security	____________
(e)	Enter the sum of (c) and (d)	____________
(f)	The higher of the weighted average risk weight applicable to the assets underlying the securitization (e.g., 100%) or 20%	____________
(g)	Risk-weighted asset amount of the holding company's subordinated security: enter (e) multiplied by (f)	____________
(h)	Capital charge for the risk-weighted asset amount of the holding company's subordinated security: enter (g) multiplied by 8%	____________

Reporting in Schedule SC-R When Using the Gross-Up Approach:

If the holding company's subordinated security is a <u>held-to-maturity securitization exposure</u>, the amortized cost of this security is included on the Memoranda in Schedule SC-M, item 7(b), "Amortized cost of securities classified as held-to-maturity," and on the regulatory capital schedule in column A of Schedule SC-R, Part II, item 9(a), "On-balance sheet securitization exposures – Held-to-maturity securities." A held-to-maturity security is risk-weighted using its amortized cost. Because the holding company's security could be subject to the pro rata gross-up treatment for risk-based capital purposes, the holding company's pro rata share of the more senior positions supported by its subordinated security is also subject to risk-weighting, which is the amount from line (c) in the gross-up calculation above. Therefore, the holding company must report the amount from line (c) as a negative number in column B of Schedule SC-R, Part II, item 9(a). The holding company must then report the sum of the face amount of its

[8] For example, if the currently outstanding par value of the entire tranche is $100 and the currently outstanding par value of the holding company's subordinated security is $60, then the holding company would enter 60 percent in (a).

[9] For risk-based capital purposes, the "face amount" of an available-for-sale security and a held-to-maturity security is its amortized cost; the "face amount" of a trading security is its fair value.

subordinated security and the pro rata share of the more senior positions currently outstanding that are supported by the holding company's subordinated security from line (e) in the gross-up calculation above in column S of Schedule SC-R, Part II, item 9(a).

If the holding company's subordinated security is an available-for-sale securitization exposure, the fair value of this security is included on the Memoranda in Schedule SC-R, item 7(a), "Fair value of securities classified as available-for-sale," and on the regulatory capital schedule in column A of Schedule SC-R, Part II, item 9(b), "On-balance sheet securitization exposures – Available-for-sale securities." Because available-for-sale securities are risk-weighted using their amortized cost rather than their fair value, a gross unrealized loss on the holding company's security (i.e., fair value is less than amortized cost) should be reported as a negative number in column B of Schedule SC-R, Part II, item 9(b); a gross unrealized gain (i.e., fair value is greater than amortized cost) should be reported as a positive number in column B of Schedule SC-R, Part II, item 9(b). In addition, because the holding company's securitization exposure could be subject to the pro rata gross-up treatment for risk-based capital purposes, the holding company's pro rata share of the more senior positions supported by its subordinated security is also subject to risk-weighting, which is the amount from line (c) in the gross-up calculation worksheet above. Therefore, the holding company must report the amount from line (c) as a negative number in column B of Schedule SC-R, Part II, item 9(b). The holding company must then report the sum of the face amount of its purchased subordinated security and the pro rata share of the more senior positions currently outstanding that are supported by the holding company's subordinated security from line (e) in the gross-up calculation worksheet above in column S of Schedule SC-R, Part II, item 9(b).

If the holding company's subordinated security is a trading securitization exposure, the fair value of this security is included on the regulatory capital schedule in column A of Schedule SC-R, Part II, item 9(c), "On-balance sheet securitization exposures - Trading assets that receive standardized charges." A trading security is risk-weighted using its fair value if the holding company is not subject to the market risk rule. Because the holding company's security is subject to the pro rata gross-up treatment for risk-based capital purposes, the holding company's pro rata share of the more senior positions supported by its subordinated security is also subject to risk-weighting, which is the amount from line (c) in the gross-up calculation worksheet above. Therefore, the holding company must report the amount from line (c) as a negative number in column B of Schedule SC-R, Part II, item 9(c). The holding company must then report the sum of the face amount of its subordinated security and the pro rata share of the more senior positions currently outstanding that are supported by the holding company's subordinated security from line (e) in the gross-up calculation above in column S of Schedule SC-R, Part II, item 9(c).

d. 1,250 Percent Risk Weight Approach

If the holding company cannot, or chooses not to apply the SSFA or the Gross-Up Approach to the securitization exposure, the holding company must assign a 1,250 percent risk weight to the exposure.

Balance Sheet Asset Categories

Credit-Enhancing Interest-Only Strips – Portions of credit-enhancing interest-only strips that do not constitute an after-tax gain-on-sale and do not qualify as securitization exposures must be risk-weighted at 1,250 percent and reported in the appropriate Schedule SC-R, Part II, balance sheet asset category (items 2 through 8). Note: Many credit-enhancing interest-only strips would be considered securitization exposures and must be reported in Schedule SC-R, Part II, item 9, for purposes of calculating risk-weighted assets.

Treatment of Embedded Derivatives – If a holding company has a hybrid contract containing an embedded derivative that must be separated from the host contract and accounted for as a derivative instrument under ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), then the host contract and embedded derivative should be treated separately for risk-based capital purposes. When the fair value of the embedded derivative has been reported as part of the holding company's assets on Schedule SC – Balance Sheet, that fair value (whether positive or negative) should be reported (as a positive or negative number) in column B of the corresponding asset category item in Schedule SC-R, Part II (items 1 to 11). The host contract, if an asset, should be risk weighted according to the obligor or, if relevant, the guarantor or the nature of the collateral.

Treatment of FDIC Loss-Sharing Agreements – Loss-sharing agreements entered into by the FDIC with acquirers of assets from failed institutions are considered conditional guarantees for risk-based capital purposes due to contractual conditions that acquirers must meet. The guaranteed portion of assets subject to a loss-sharing agreement may be assigned a 20 percent risk weight. Because the structural arrangements for these agreements vary depending on the specific terms of each agreement, holding companies should consult with their Federal Reserve Bank to determine the appropriate risk-based capital treatment for specific loss-sharing agreements.

Allocated Transfer Risk Reserve (ATRR) – If the reporting holding company is required to establish and maintain an ATRR as specified in Section 905(a) of the International Lending Supervision Act of 1983, the ATRR should be reported in Schedule SC-R, Part II, item 29. The ATRR is not eligible for inclusion in either tier 1 or tier 2 capital.

Any ATRR related to loans and leases held for investment is included on the balance sheet in Schedule SC, item 3(b), "Allowance for loan and lease losses," However, if the holding company must maintain an ATRR for any asset other than a loan or lease held for investment, the balance sheet category for that asset should be reported net of the ATRR on Schedule SC. In this situation, the ATRR should be reported as a negative number (i.e., with a minus (-) sign) in column B, "Adjustments to total reported in Column A," of the corresponding asset category in Schedule SC-R, Part II, items 1 through 5 and 7 through 9. The amount to be risk-weighted for this asset in columns C through Q, as appropriate, would be its net carrying value plus the ATRR. For example, a holding company has a held-to-maturity security issued by a foreign commercial company against which it has established an ATRR of $20. The security, net of the ATRR, is included in Memoranda in Schedule SC-M, item 7(b), "Amortized cost of securities classified as held-to-maturity," at $80. The security should be included in Schedule SC-R, Part II, item 2(a), column A, at $80. The holding company should include $-20 in Schedule SC-R, Part II, item 2(a), column B, and $100 in item 2(a), column I.

Item No. **Caption and Instructions**

1 **Cash and balances due from depository institutions.** Report in column A the amount of cash and balances due from depository institutions reported in Schedule SC, sum of items 1(a) and 1(b), excluding those balances due from depository institutions that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The amount of those balances due from depository institutions reported in Schedule SC, items 1(a) and 1(b) that qualify as securitization exposures must be reported in Schedule SC-R, Part II, item 9(d), column A.

- *In column C–0% risk weight*, include:
  - The amount of currency and coin reported in Schedule SC, items 1(a);
  - Any balances due from Federal Reserve Banks reported in Schedule SC, item 1(b); and
  - The insured portion of deposits in FDIC-insured depository institutions and NCUA insured credit unions reported in Schedule SC, items 1(a) and 1(b).

- *In column G–20% risk weight*, include:
  - Any balances due from insured depository institutions and credit unions that are organized under the laws of the United States or a U.S. state reported in Schedule SC, items 1(a) and 1(b), in excess of any applicable FDIC or NCUA deposit insurance limits for deposit exposures or where the depository institutions are not insured by either the FDIC or the NCUA;
  - Any balances due from Federal Home Loan Banks reported in Schedule SC, items 1(a) and 1(b); and
  - The amount of cash items in the process of collection reported in Schedule SC, item 1(a).

- *In column I –100% risk weight*, include all other amounts that are not reported in columns C through Q.

- Cash and balances due from depository institutions that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The amounts reported in Schedule SC, items 1(a) and 1(b) composed of balances due from foreign depository institutions; and
  - Any balances due from foreign central banks.
  -

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

If the reporting holding company is the respondent holding company in a pass-through reserve balance relationship, report in column C the amount of the holding company's reserve balances due from its correspondent holding company that its correspondent has actually passed through to a Federal Reserve Bank on the reporting holding company's behalf, i.e., for purposes of this item, treat these balances as balances due from a Federal Reserve Bank.

If the reporting holding company is a participant in an excess balance account at a Federal Reserve Bank, report in column C the holding company's balance in this account.

If the reporting holding company accounts for any holdings of certificates of deposit (CDs) like available-for-sale debt securities that do not qualify as securitization exposures, report in column A the fair value of such CDs and include in column B the difference between the fair value and amortized cost of these CDs. When fair value exceeds amortized cost, report the difference as a positive number in column B. When amortized cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in column B. Risk weight the amortized cost of these CDs in columns C through J, as appropriate

2 **Securities (excluding securitizations exposures).** Please review the instructions for FR Y-9C, Schedule HC-B, to better understand all relevant components that should be included in items related held-to-maturity and available-for-sale securities (excluding securitization exposures). The instructions below import some of the most relevant components of those instructions, but may not include all securities exposures held by the holding company that would need to be reported in Schedule SC-R, items 2(a) and 2(b). Do not include securities that qualify as securitization exposures in items 2(a) and 2(b) below; instead, report these securities in Schedule SC-R, Part II, items 9(a) and 9(b). In general, under the regulatory capital rules, securitizations are exposures that are "tranched" for credit risk. Refer to the definitions of *securitization, traditional securitization, synthetic securitization* and *tranche* in §.2 of the regulatory capital rules.

2(a). **Held-to-maturity securities.** Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule SC-M, item 7(b), excluding those securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The amount of those HTM securities reported in Schedule SC-M, item 7(b), that qualify as securitization exposures are to be reported in Schedule SC-R, Part II, item 9(a), column A. The sum of Schedule SC-R, Part II, items 2(a) and 9(a), column A, must equal Schedule SC-M, item 7(b).

Exposure amount to be used for purposes of risk weighting – holding company cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule SC-R, Part I, item 3(a):

For a security classified as held-to-maturity where the holding company cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the holding company is the carrying value of the security, which is the value of the asset reported on the balance sheet of the holding company determined in accordance with GAAP and in column A.

Exposure amount to be used for purposes of risk weighting – holding company has made the AOCI opt-out election in Schedule SC-R, Part I, item 3(a):
For a security classified as held-to-maturity where the holding company has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the holding company is the carrying value of the security reported on the balance sheet of the holding company and in column A, less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI. For such a held-to-maturity security, report in column B any difference between the carrying value of the security reported in column A of this item and its exposure amount.

- *In column C–0% risk weight.* The zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for the zero percent risk weight. Include the exposure amounts of securities described in FR Y-9C, Schedule HC-B, column A, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such securities may include portions of, but may not be limited to:
  - U.S. Treasury securities: the amortized cost of all U.S. Treasury securities not held in trading accounts. Include all bills, certificates of indebtedness, notes, and bonds, including those issued under the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program and those that are "inflation indexed." Exclude all obligations of U.S. government agencies and corporations. Also exclude detached Treasury security coupons and ex-coupon Treasury securities held as the result of either their purchase or the bank's stripping of such securities and Treasury receipts such as CATs, TIGRs, COUGARs, LIONs, and ETRs. (For additional information, refer to the Glossary entry for "coupon stripping" in FR Y-9C instructions).

  - Securities (excluding mortgage-backed securities) issued by U.S. Government agencies: the amortized cost of all obligations not held in trading accounts that have been issued by U.S. government agencies. For purposes of this item, a U.S. government agency is defined as an instrumentality of the U.S. government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government. Include, among others, debt securities (but not mortgage-backed securities) of the following U.S. government agencies: Export–Import Bank (Ex-Im Bank), Federal Housing Administration (FHA), Government National Mortgage Association (GNMA), Maritime Administration, and Small Business Administration (SBA). Include such obligations as: SBA "Guaranteed Loan Pool Certificates," which represent an undivided interest in a pool of SBA-guaranteed portion of loans for which the SBA has further guaranteed the timely payment of scheduled principal and interest payments;

participation certificates issued by the Export–Import Bank and the General Services Administration; and, notes issued by the Farmers Home Administration (FmHA) and instruments (certificates of beneficial ownership and insured note insurance contracts) representing an interest in FmHA-insured notes.

Note: For purposes of these instructions, exclude from U.S. government agency obligations: loans to the Export Import Bank and to federally-sponsored lending agencies (refer to the Glossary entry for "federally-sponsored lending agency" in FR Y-9C instructions); all holdings of U.S. government-issued or –guaranteed mortgage pass-through securities; collateralized mortgage obligations (CMOs), real estate mortgage investments conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs) and similar instruments) issued by U.S. government agencies and corporations; and participations in pools of FHA Title I loans, which generally consist of junior lien home improvement loans.

- Residential mortgage pass-through securities guaranteed by GNMA: the amortized cost of all holdings of 1-4 family residential mortgage pass-through securities guaranteed by GNMA that are not held for trading. Exclude 1-4 family residential mortgage pass-through securities issued by FNMA and FHLMC

  Note: In general, a residential mortgage pass-through security represents an undivided interest in a pool of loans secured by 1-4 family residential properties that provides the holder with a pro rata share of all principal and interest payments on the residential mortgages in the pool, and includes certificates of participation in pools of residential mortgages. Include certificates of participation in pools of 1-4 family residential mortgages even though the reporting holding company was the original holder of the mortgages underlying the pool and holds the instruments covering that pool, as may be the case with GNMA certificates issued by the holding company and swaps with FNMA and FHLMC. Also include U.S. Government-issued participation certificates (PCs) that represent a pro rata share of all principal and interest payments on a pool of resecuritized participation certificates that, in turn, are backed by 1-4 family residential mortgages, e.g., FHLMC Giant PCs. Exclude all holdings of commercial mortgage pass-through securities, including pass-through securities backed by loans secured by multifamily (5 or more) residential properties. Also exclude all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities (such as IOs, POs, and similar instruments), and mortgage-backed commercial paper.

- Other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies, such as GNMA exposures: the amortized cost and fair value of all classes of CMOs and REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies that are backed by loans secured by 1-4 family residential properties. For purposes of this report, include REMICs issued by the U.S. Department of Veterans Affairs (VA) that are backed by 1-4 family residential mortgages in this item. U.S. Government agencies include, but are not limited to, such agencies as the GNMA, the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA).

Note: Other residential mortgage-backed securities include: all classes of CMOs and REMICs backed by loans secured by 1-4 family residential properties; CMO and REMIC residuals and similar interests backed by loans secured by 1-4 family residential properties; stripped 1-4 family residential mortgage-backed securities (such as IOs, POs, and similar instruments);and commercial paper backed by loans secured by 1-4 family residential properties.

- Those commercial MBS guaranteed by GNMA: the amortized cost and fair value of all holdings of commercial mortgage pass-through securities guaranteed by the GNMA. Also include commercial mortgage pass-through securities guaranteed by the SBA.

  Note: In general, a commercial mortgage-backed security represents an interest in a pool of loans secured by properties other than 1-4 family residential properties. In general, a commercial mortgage pass-through security represents an undivided interest in a pool of loans secured by properties other than 1-4 family residential properties that provides the holder with a pro rata share of all principal and interest payments on the mortgages in the pool.

- Commercial MBS guaranteed by U.S. Government agencies that represent GNMA securities: Report the amortized cost of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued by U.S. Government agencies. U.S. Government agencies include, but are not limited to, such agencies as the Government National Mortgage Association (GNMA), the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA).

- *In column G–20% risk weight.* The 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by the U.S. government, as well as exposures to U.S. government-sponsored enterprises. Certain foreign government and foreign bank exposures may qualify as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of securities described in Schedule HC-B, Column A, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such securities may include portions of, but may not be limited to:
  - Securities (excluding interest-only securities) issued by states and political subdivision of the U.S. that represent general obligation securities. U.S. Government-sponsored agencies (exclude interest-only securities and loss

sharing securities): the amortized cost and fair value of all obligations not held in trading accounts that have been issued by U.S. government-sponsored agencies. For purposes of the FR Y-9SP, U.S. government-sponsored agencies are defined as agencies originally established or chartered by the U.S. government to serve public purposes specified by the U.S. Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the U.S. government. Include, among others, debt securities (but not mortgage-backed securities) of the following government-sponsored agencies: Federal Agricultural Mortgage Corporation (Farmer Mac), Federal Farm Credit Bank, Federal Home Loan Banks (FHLBs), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal Land Banks (FLBs), Federal National Mortgage Association (FNMA or Fannie Mae), Financing Corporation (FICO), Resolution Funding Corporation (REFCORP), Student Loan Marketing Association (SLMA or Sallie Mae), Tennessee Valley Authority (TVA), and U.S. Postal Service. Exclude debt securities issued by SLM Corporation, the private-sector corporation that is the successor to the Student Loan Marketing Association and securitized student loans issued by SLM Corporation.

- Securities issued by states and political subdivisions in the U.S. that represent general obligation securities: amortized cost of all general obligation securities issued by states and political subdivisions in the United States not held in trading accounts. General obligation securities are those whose principal and interest will be paid from the general tax receipts of the state or political subdivision. States and political subdivisions in the U.S., for purposes of this report, include: the fifty states of the United States and the District of Columbia and their counties, municipalities, school districts, irrigation districts, and drainage and sewer districts; and the governments of Puerto Rico and of the U.S. territories and possessions and their political subdivisions.

- Residential mortgage pass-through securities issued by FNMA and FHLMC: the amortized cost of all holdings of 1-4 family residential mortgage pass-through securities issued by FNMA and FHLMC that are not held for trading.

- Other residential mortgage-backed securities issued by U.S. Government agencies or sponsored agencies" (excluding interest-only securities): Report in the appropriate columns the amortized cost and fair value of all classes of CMOs and REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by U.S. Government-sponsored agencies that are backed by loans secured by 1-4 family residential properties. U.S. Government-sponsored agencies include, but are not limited to, such agencies as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA).

- Those commercial MBS issued by FNMA FHLMC that represent FHLMC and FNMA securities (exclude interest-only securities): the amortized cost of all holdings of commercial mortgage pass-through securities issued by FNMA or FHLMC.

- Those other commercial MBS issued U.S. Government agencies or sponsored agencies that represent FHLMC and FNMA securities (exclude interest-only securities): the amortized cost of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued by U.S. Government-sponsored agencies. U.S. Government-sponsored agencies include, but are not limited to, such agencies as FHLMC and FNMA.

- Other residential mortgage-backed securities collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies that represent senior interests in such securities (excludes interest-only securities): the amortized cost of all classes of CMOs, REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral consists of GNMA residential pass-through securities, FNMA residential pass-through securities, FHLMC residential participation certificates, or other residential mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies.

- Any securities categorized as “structured financial products” that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule SC-R, Part II, item 9(a) for purposes of calculating risk weighted assets.

  Structured financial products that represent the amortized cost of securities that are exposures to U.S. depository institutions and would not qualify as a securitization under the regulatory capital rules: the amortized cost of all structured financial products not held for trading according to whether the product is a cash, synthetic, or hybrid instrument. Structured financial products generally convert a pool of assets (such as whole loans, securitized assets, and bonds) and other exposures (such as derivatives) into products that are tradable capital market debt instruments. Some of the more complex financial product structures mix asset classes in order to create investment products that diversify risk. Exclude from structured financial products: mortgage-backed pass-through securities; CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and mortgage-backed commercial paper; asset-backed commercial paper not held for trading; asset-backed securities that are primarily secured by one type of asset; securities backed by loans that are commonly regarded as asset-backed securities rather than collateralized loan obligations in the marketplace.

  Note: cash instrument means that the instrument represents a claim against a reference pool of assets. A synthetic instrument means that the investors do not have a claim against a reference pool of assets; rather, the originating holding company merely transfers the inherent credit risk of the reference pool of assets by such means as a credit default swap, a total return swap, or another arrangement in which the counterparty agrees upon specific contractual covenants to cover a predetermined amount of losses in the loan pool. A hybrid instrument means that the instrument is a mix of both cash and synthetic instruments.

- *In column H–50% risk weight*, include the exposure amounts of securities that do not qualify as securitization exposure that qualify for the 50 percent risk weight. Such securities may include portions of, but may not be limited to:
  - o Securities issued by states and political subdivisions in the U.S. that represent revenue obligation securities: amortized cost of all revenue obligation securities issued by states and political subdivisions in the United States not held in trading accounts. Revenue obligation securities are those whose debt service is paid solely from the revenues of the projects financed by the securities rather than from general tax funds.

  - o Other residential mortgage pass-through securities (see instructions above). that represent residential mortgage exposures that qualify for 50 percent risk weight. (Pass-through securities that do not qualify for 50 percent risk weight should be assigned to the 100 percent risk weight category.)

  - o Other residential mortgage-backed securities collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies" (exclude portions subject to FDIC loss-sharing agreement and interest-only securities) (see instructions above). that represent residential mortgage exposures that qualify for 50 percent risk weight, and

  - o All other residential MBS. Include only those MBS that qualify for 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: do not include MBS portions that are tranched for credit risk; those must be reported as securitization exposures in Schedule SC-R, Part II, item 9(a). Exclude interest-only securities. the amortized cost of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by 1-4 family residential properties (or by securities collateralized by such loans) that have been issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.), for which the collateral does not consist of GNMA residential pass-through securities, FNMA residential pass-through securities, FHLMC residential participation certificates, or other residential mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by FNMA, FHLMC, GNMA, or VA.

- *In column I–100% risk weight*, include the exposure amounts of securities that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such securities may include portions of, but may not be limited to:,

- Other residential mortgage pass-through securities (see instructions above) that represent residential mortgage exposures that qualify for 100 percent risk weight.

- Other residential mortgage-backed securities collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies (excludes portions subject to an FDIC loss sharing agreements) (see instructions above) that represent residential mortgage exposures that qualify for 100 percent risk weight.

- All other residential MBS. (see instructions above). Include only those MBS that qualify for 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. (Note: do not include MBS that are tranched for credit risk; those should be reported as securitization exposures in Schedule SC-R, Part II, item 9(a)).

- Other commercial mortgage pass-through securities: the amortized cost of all holdings of commercial mortgage pass-through securities issued or guaranteed by non-U.S. Government issuers.

- All other commercial MBS: the amortized cost of all CMOs, REMICs, CMO and REMIC residuals, stripped mortgage-backed securities, and commercial paper backed by loans secured by properties other than 1-4 family residential properties that have been issued or guaranteed by non-U.S. Government issuers.

- Asset-backed securities: the amortized cost and of all asset-backed securities (other than mortgage-backed securities), including asset-backed commercial paper, not held for trading that would not qualify as a securitization under the regulatory capital rules.

- Any securities reported as "structured financial products" that are <u>not</u> securitization exposures and qualify for the 100 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule SC-R, Part II, item 9(a), for purposes of calculating risk weighted assets.

- Also include all other HTM securities that do not qualify as securitization exposures reported in Schedule SC-M, item 7(b), that are not included in columns C through H and J through Q.

• Held-to-maturity securities that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include the exposure amount of those securities that are directly and unconditionally guaranteed by foreign central governments or are exposures to foreign depository institutions that do

not qualify as securitization exposures. Such securities may include portions of, but may not be limited to:

- o Other residential mortgage pass-through securities (see instructions above).
- o All other residential MBS (see instructions above).
- o Other commercial mortgage pass-through securities (see instructions above).
- o All other commercial MBS (see instructions above).
- o Asset-backed securities (see instructions above).
- o Any securities reported as "structured financial products" that are not securitization exposures. Note: Many of the structured financial products would be considered securitization exposures and reported in Schedule SC-R, Part II, item 9(a) for purposes of calculating risk weighted assets, and
- o Other foreign debt securities. Report the amortized cost and fair value of foreign debt securities not held for trading issued by non-U.S.-chartered corporations, foreign governments, or special international organizations. Include in this item as foreign debt securities the following: (1) Bonds, notes, debentures, equipment trust certificates, and commercial paper issued by non-U.S.- chartered corporations. (2) Debt securities issued by foreign governmental units. (3) Debt securities issued by international organizations such as the International Bank for Reconstruction and Development (World Bank), Inter-American Development Bank, and Asian Development Bank. (4) Preferred stock of non-U.S.-chartered corporations that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock).

2(b) **Available-for-sale securities.** Report in column A the fair value of available-for-sale (AFS) securities reported in Schedule SC-M, item 7(a), excluding those AFS securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The fair value of those AFS securities reported in Schedule SC-M, item 7(a), that qualify as securitization exposures must be reported in Schedule SC-R, Part II, item 9(b), column A. The sum of Schedule SC-R, Part II, items 2(b) and 9(b), column A, must equal Schedule SC-M, item 7(a).

Exposure amounts to be used for purposes of risk weighting by a holding company that cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule SC-R, Part I, item 3(a):
For a security classified as available-for-sale where the holding company cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk-weighted by holding company is:

- **For debt securities:** the carrying value, which is the value of the asset reported on the balance sheet of the holding company determined in accordance with GAAP (i.e., the fair value of the available-for-sale debt security) and in column A.
- **For equity securities and preferred stock classified as an equity under GAAP:** the adjusted carrying value.[10]

[10] Adjusted carrying value applies only to equity exposures and is defined in §.51 of the regulatory capital rules. In general, it includes an on-balance sheet amount as well as application of conversion factors to determine on-balance sheet equivalents of any off-balance sheet commitments to acquire equity exposures. For holding companies that cannot or have not made the AOCI opt-out election, the on-balance sheet component is equal to the carrying value. For holding companies that have made the AOCI opt-out election, the on-balance sheet component is the carrying value less any net unrealized gains that are reflected in the

Exposure amounts to be used for purposes of risk weighting by a holding company that has made the AOCI opt-out election in Schedule SC-R, Part I, item 3(a):
For a security classified as available-for-sale where the holding company has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the holding company is:

- **For debt securities:** the carrying value, less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI.
- **For equity securities and preferred stock classified as an equity under GAAP:** the carrying value less any net unrealized gains that are reflected in such carrying value but are excluded from the holding company's regulatory capital components.

- *In column B*, a holding company that has made the AOCI opt-out election should include the difference between the fair value and amortized cost of those AFS debt securities that do not qualify as securitization exposures.
  - o When fair value exceeds cost, report the difference as a positive number in Schedule SC-R, Part II, item 2(b), column B.
  - o When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Schedule SC-R, Part II, item 2(b), column B.
  - o If AFS equity securities with readily determinable fair values have a net unrealized gain, the portion of the net unrealized gain (55 percent or more) not included in Tier 2 capital should be included in Schedule SC-R, Part II, item 2(b), column B.

Note: For regulatory capital purposes, all amounts reported in their respective risk weight columns below should be reported at amortized cost. Please see the instructions for Schedule SC-R, item 2(a), for the components that compose each risk weight category.

carrying value but excluded from regulatory capital. Refer to §.51 for the precise definition.

- *In column C–0% risk weight*, the zero percent risk weight applies to exposures to the U.S. government, a U.S. government agency, or a Federal Reserve Bank, and those exposures otherwise unconditionally guaranteed by the U.S. government. Include exposures to or unconditionally guaranteed by the FDIC or the NCUA. Certain foreign government exposures and certain entities listed in §.32 of the regulatory capital rules may also qualify for zero percent risk weight. Include the exposure amounts of securities described in Schedule HC-B, column C, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such securities may include portions of, but may not be limited to:
  - U.S. Treasury securities,
  - Securities issued by U.S. Government agencies,
  - Residential mortgage pass-through securities guaranteed by GNMA,
  - Other residential mortgage-backed securities guaranteed by U.S. Government agencies such as GNMA exposures,
  - Certain portions of commercial MBS guaranteed by GNMA that represent GNMA securities, and
  - Certain portions of commercial MBS guaranteed by U.S. Government agencies that represent GNMA securities.

- *In column G–20% risk weight*, the 20 percent risk weight applies to general obligations of U.S. states, municipalities, and U.S. public sector entities. It also applies to exposures to U.S. depository institutions and credit unions, exposures conditionally guaranteed by the U.S. government, as well as exposures to U.S. government sponsored enterprises. Certain foreign government and foreign bank exposures may qualify for the 20 percent risk weight as indicated in §.32 of the regulatory capital rules. Include the exposure amounts of those securities that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such securities may include portions of, but may not be limited to:
  - Securities issued by U.S. Government-sponsored agencies (exclude interest-only securities),
  - Securities issued by states and political subdivisions in the U.S. that represent general obligation securities,
  - Residential mortgage pass-through securities issued by FNMA and FHLMC (exclude interest-only securities),
  -
  - Other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies (exclude interest-only securities),
  - Those commercial MBS issued or guaranteed by FNMA, FHLMC that represent FHLMC and FNMA securities (exclude interest-only securities),
  - Those commercial MBS issued U.S. Government agencies or sponsored agencies that represent FHLMC and FNMA securities (exclude interest-only securities),
  - Other residential mortgage-backed securities collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies (exclude interest-only securities), and
  - Any securities categorized as "structured financial products" that are not securitization exposures and qualify for the 20 percent risk weight. Note: Many of the structured financial products would be considered securitization

exposures and must be reported in Schedule SC-R, Part II, item 9(b) for purposes of calculating risk-weighted assets. Exclude interest-only securities.

- *In column H–50% risk weight*, include the exposure amounts of those securities that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such securities may include portions of, but may not be limited to:
  - Securities issued by states and political subdivisions in the U.S. that represent revenue obligation securities,
  - Other residential mortgage pass-through securities that represent residential mortgage exposures that qualify for 50 percent risk weight. (Pass-through securities that do not qualify for 50 percent risk weight should be assigned to the 100 percent risk weight category.)
  - Other residential mortgage-backed securities collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies (exclude portions subject to an FDIC loss-sharing agreement and interest-only securities) that represent residential mortgage exposures that qualify for 50 percent risk weight, and
  - All other residential MBS. Include only those MBS that qualify for 50 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: do not include MBS that are tranched for credit risk; those should be reported as securitization exposures in Schedule SC-R, Part II, item 9(b). Do not include interest-only strips.

- *In column I–100% risk weight*, include the exposure amounts of securities that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such securities may include portions of, but may not be limited to:
  - Other residential mortgage pass-through securities that represent residential mortgage exposures that qualify for 100 percent risk weight,
  - Other residential mortgage-backed securities collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies (exclude portions subject to an FDIC loss-sharing agreement) that represent residential mortgage exposures that qualify for 100 percent risk weight,
  - All other residential MBS. Include only those MBS that qualify for 100 percent risk weight. Refer to §.32(g), (h) and (i) of the regulatory capital rules. Note: do not include MBS portions that are tranched for credit risk; those should be reported as securitization exposures in Schedule SC-R, Part II, item 9(b).
  - Other commercial mortgage pass-through securities,
  - All other commercial MBS,
  - Asset-backed securities,
  - Any securities reported as "structured financial products" that are not securitization exposures and qualify for the 100 percent risk weight. Note: Many of the structured financial products would be considered securitization exposures and must be reported in Schedule SC-R, Part II, item 9(b) for purposes of calculating risk weighted assets.
  - Also include all other AFS securities that do not qualify as securitization exposures that are not included in columns C through H and J through Q.

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- *In column K–250% risk weight*, include the portion that does not qualify as a securitization exposure that represents the adjusted carrying value of exposures that are significant investments in the common stock of unconsolidated financial institutions that are not deducted from capital. For further information on the treatment of equity exposures, refer to §.51 to §.53 of regulatory capital rules. This risk weight takes effect in 2018, and therefore this item is blocked from being completed until that time. Before 2018, report such significant investments in the 100 percent risk weight category.

- *In column L–300% risk weight*, for publicly traded AFS equity securities with readily determinable fair values, include the fair value of these equity securities if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their adjusted carrying value plus the portion of the unrealized gain (up to 45 percent) included in tier 2 capital (as reported in Schedule SC-R, Part I, item 31). (NOTE: Certain investments in mutual funds may be risk-weighted using the simple risk-weight and look-through approaches as described in §.51 to 53 of the regulatory capital rules.)

  Note: report all investments in mutual funds and other equity securities (as defined in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities) with readily determinable fair values. Such securities include, but are not limited to, money market mutual funds, mutual funds that invest solely in U.S. government securities, common stock, and perpetual preferred stock. Perpetual preferred stock does not have a stated maturity date and cannot be redeemed at the option of the investor, although it may be redeemable at the option of the issuer.

  According to ASC Topic 320, the fair value of an equity security is readily determinable if sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by Pink Sheets LLC. (“Restricted stock” meets that definition if the restriction terminates within one year.) The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above. The fair value of an investment in a mutual fund is readily determinable if the fair value per share (unit) is determined and published and is the basis for current transactions.

  Investments in mutual funds and other equity securities with readily determinable fair values may have been purchased by the reporting holding company or acquired for debts previously contracted.

  Include in this item common stock and perpetual preferred stock of the Federal National Mortgage Association (Fannie Mae), common stock and perpetual preferred stock of the Federal Home Loan Mortgage Corporation (Freddie Mac), Class A voting and Class C non-voting common stock of the Federal Agricultural

Mortgage Corporation (Farmer Mac), and common and preferred stock of SLM Corporation (the private-sector successor to the Student Loan Marketing Association).

Exclude from investments in mutual funds and other equity securities with readily determinable fair values:
(1) Paid-in stock of a Federal Reserve Bank;
(2) Stock of a Federal Home Loan Bank;
(3) Common and preferred stocks that do not have readily determinable fair values, such as stock of bankers' banks and Class B voting common stock of the Federal Agricultural Mortgage Corporation (Farmer Mac);
(4) Preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (i.e., redeemable or limited-life preferred stock), including trust preferred securities subject to mandatory redemption;
(5) "Restricted stock," i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year;
(6) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank;
(7) Minority interests held by the reporting holding company in any companies not meeting the definition of associated company, except minority holdings that indirectly represent holding company premises or other real estate owned, provided that the fair value of any capital stock representing the minority interest is not readily determinable;
(8) Equity holdings in those corporate joint ventures over which the reporting holding company does not exercise significant influence, except equity holdings that indirectly represent holding company premises; and
(9) Holding of capital stock of and investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the reporting holding company exercises significant influence.

- *In column N–600% risk weight*, for AFS equity securities to investment firms with readily determinable fair values include the fair value of these equity securities if they have a net unrealized loss. If these equity securities have a net unrealized gain, include their adjusted carrying value plus the portion of the unrealized gain (up to 45 percent) included in tier 2 capital (as reported in Schedule SC-R, Part I, item 31).

  Note: See instructions above in 300% risk weight for exposure determination.

- Available-for-sale securities that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include the exposure amounts

of those securities that are directly and unconditionally guaranteed by foreign central governments or are exposures on foreign depository institutions that do not qualify as securitization exposures. Such securities may include portions of, but may not be limited to:

- Other residential mortgage pass-through securities,
- All other residential MBS,
- Other commercial mortgage pass-through securities,
- All other commercial MBS,
- Asset-backed securities,
- Any securities reported as "structured financial products" that are not securitizations. Note: Many structured financial products would be considered securitization exposures and must be reported in Schedule SC-R, Part II, item 9(b) for purposes of calculating risk weighted assets,
- Other foreign debt securities, and
- Investments in mutual funds and other equity securities with readily determinable fair values.

3 **Federal funds sold and securities purchased under agreements to resell.** Report in column A the amount of federal funds sold and securities purchased under agreements to resell (securities resale agreements), excluding those federal funds sold and securities resale agreements that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those federal funds sold and securities resale agreements that qualify as securitization exposures are to be reported in Schedule SC-R, Part II, item 9(d), column A.

Federal funds sold and securities purchased under agreements to resell are the sum of:

Federal funds sold in domestic offices

Report the outstanding amount of federal funds sold, i.e., immediately available funds lent (in domestic offices) under agreements or contracts that have an original maturity of one business day or roll over under a continuing contract, excluding such funds lent in the form of securities purchased under agreements to resell (report below, securities purchased under agreements to resell) and overnight lending for commercial and industrial purposes. Transactions that are to be reported as federal funds sold may be secured or unsecured or may involve an agreement to resell loans or other instruments that are not securities.

Immediately available funds are funds that the purchasing holding company can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. A continuing contract, regardless of the terminology used, is an agreement that remains in effect for more than one business day, but has no specified maturity and does not require advance notice of the lender or the borrower to terminate. Report federal funds sold on a gross basis, i.e., do not net them against federal funds purchased, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts).

Also exclude from federal funds sold:

(1) Sales of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions" in the FR Y-9C instructions) (report in Schedule SC, item 3(a), "Loans and leases, net of unearned income").
(2) Securities resale agreements that have an original maturity of one business day or roll over under a continuing contract, if the agreement requires the holding company to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll (report below, securities purchased under agreements to resell).
(3) Deposit balances due from a Federal Home Loan Bank (report as balances due from depository institutions in Schedule SC, items 1(a) or 1(b), as appropriate).
(4) Lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements (report in Schedule SC, item 3(a), "Loans and leases, net of unearned income").

For further information, see the Glossary entry for "federal funds transactions" in the FR Y-9C instructions.

Securities purchased under agreements to resell
Report the outstanding amount of:
(1) Securities resale agreements, regardless of maturity, if the agreement requires the holding company to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll.
(2) Purchases of participations in pools of securities, regardless of maturity.

Report securities purchased under agreements to resell on a gross basis, i.e., do not net them against securities sold under agreements to repurchase, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41, Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements). Include the fair value of securities purchased under agreement to resell that are accounted for at fair value under a fair value option.

Exclude from this item:
(1) Resale agreements involving assets other than securities (report in above "Federal funds sold in domestic offices," or Schedule SC, item 3(a), "Loans and leases, net of unearned income," as appropriate, depending on the maturity and office location of the transaction).
(2) Due bills representing purchases of securities or other assets by the reporting holding company that have not yet been delivered and similar instruments, whether collateralized or uncollateralized (report in Schedule SC, item 3(a)). See the Glossary entry for "due bills" in FR Y-9C instructions.
(3) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "repurchase/resale agreements" in FR Y-9C instructions).

For further information, see the Glossary entry for "repurchase/resale agreements" in FR Y-9C instructions.

- *In column C – 0% risk weight*, include the portion of that is directly and unconditionally guaranteed by U.S. Government agencies.

- *In column D–2% risk weight*, include the amount of centrally cleared federal funds sold and securities resale agreements with Qualified Central Counterparties (QCCPs), as defined in §.2 of the regulatory capital rules, where the collateral posted by the holding company to the QCCP or clearing member is subject to an arrangement that prevents any losses to the clearing member client due to the joint default or a concurrent insolvency, liquidation, or receivership proceeding of the clearing member and any other clearing member clients of the clearing member; and the clearing member client holding company has conducted sufficient legal review to conclude with a well-founded basis (and maintains sufficient written documentation of that legal review) that in the event of a legal challenge (including one resulting from default or from liquidation, insolvency, or receivership proceeding) the relevant court and administrative authorities would find the arrangements to be legal, valid, binding and enforceable under the law of the relevant jurisdictions.

- *In column E–4% risk weight*, include the amount of centrally cleared securities resale agreements with QCCPs in all other cases that do not meet the criteria of qualification for a 2% risk weight.

- *In column G – 20% risk weight*, include exposures to U.S. depository institution counterparties.

- *In column I – 100% risk weight*, include exposures to non-depository institution counterparties that lack qualifying collateral (refer to the regulatory capital rules for specific criteria). Also include the amount of federal funds sold and securities resale agreements that are not included in columns C through Q.

- Federal funds sold and securities purchased under agreements to resell that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The portion that is directly and unconditionally guaranteed by foreign central governments and exposures to foreign depository institutions.

4 **<u>Loans and leases held for sale.</u>** Report in column A of the appropriate subitem the carrying value of loans and leases held for sale (HFS), excluding those HFS loans and leases that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The carrying value of those HFS loans and leases reported that qualify as securitization exposures must be reported in Schedule SC-R, Part II, item 9(d), column A.

Please review the instructions for FR Y-9C, Schedule HC-C, to better understand all relevant components that should be included in items related to loans and leases held for sale. The instructions below import some of the most relevant components of those instructions, but may not include all loan and lease exposures held by the holding company that would need to be reported in Schedule SC-R, items 4(a) to 4(d).

4(a) <u>**Residential Mortgage Exposures.**</u> Report in column A the carrying value of loans and leases held for sale (HFS) composed of the following items related to residential mortgage exposures.[11] Also include the carrying value of HFS loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Exclude HFS loans secured by multifamily residential properties that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*. Such loans should be reported in Schedule SC-R, Part II, item 4(d).

Report in this item open-end and closed-end loans secured by real estate as evidenced by mortgages (FHA, FmHA, VA, or conventional) or other liens on the following:

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

<u>Exclude</u> loans for 1-to-4 family residential property construction and land development purposes. Also, exclude loans secured by vacant lots in established single-family residential sections or in areas set aside primarily for 1-to-4 family homes.

Reverse 1–4 family residential mortgages should be reported in the appropriate category based on whether they are closed-end or open-end mortgages. A reverse mortgage is an arrangement in which a homeowner borrows against the equity in his/her home and receives cash either in a lump sum or through periodic payments. However, unlike a traditional mortgage loan, no payment is required until the borrower no longer uses the home as his or her principal residence. Cash payments to

[11] Residential mortgage exposure means an exposure (other than a securitization exposure, equity exposure, statutory multifamily mortgage, or presold construction loan) that is:
(1) An exposure that is primarily secured by a first or subsequent lien on one-to-four family residential property; or
(2) (i) An exposure with an original and outstanding amount of $1 million or less that is primarily secured by a first or subsequent lien on residential property that is not one-to-four family; and
(ii) For purposes of calculating capital requirements under Subpart E of this part, is managed as part of a segment of exposures with homogeneous risk characteristics and not on an individual exposure basis.

the borrower after closing, if any, and accrued interest are added to the principal balance. These loans may have caps on their maximum principal balance or they may have clauses that permit the cap on the maximum principal balance to be increased under certain circumstances. Homeowners generally have one of the following options for receiving tax free loan proceeds from a reverse mortgage: (1) one lump sum payment; (2) a line of credit; (3) fixed monthly payments to homeowner either for a specified term or for as long as the homeowner lives in the home; or (4) a combination of the above. Reverse mortgages that provide for a lump sum payment to the borrower at closing, with no ability for the borrower to receive additional funds under the mortgage at a later date, should be reported as closed-end loans. Normally, closed-end reverse mortgages are first liens. Reverse mortgages that are structured like home equity lines of credit in that they provide the borrower with additional funds after closing (either as fixed monthly payments, under a line of credit, or both) should be reported as open-end loans. Open-end reverse mortgages also are normally first liens. Where there is a combination of both a lump sum payment to the borrower at closing and payments after the closing of the loan, the reverse mortgage should be reported as an open-end loan.

- *In column G–20% risk weight*, include the carrying value of the guaranteed portion of HFS FHA and VA mortgage loans that are closed-end loans secured by first liens on 1 to 4 family residential properties.

- *In column H–50% risk weight*, include the carrying value of HFS loans secured by first liens on 1-4 family residential properties and by multifamily residential properties, or those that meet the definition of a residential mortgage exposure and qualify for the 50 percent risk weight under §.32(g) of the regulatory capital rules. For qualifying 1-4 family residential mortgages, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family or multifamily residential properties, not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury's Home Affordable Mortgage Program (HAMP)).

  Also include loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules.

  For qualifying statutory multifamily mortgages, specifically <u>include</u> loans on the following: nonfarm properties with 5 or more dwelling units in structures (including apartment buildings and apartment hotels) used primarily to accommodate households on a more or less permanent basis; 5 or more unit housekeeping dwellings with commercial units combined where use is primarily residential; and cooperative-type apartment buildings containing 5 or more dwelling units. <u>Exclude</u> loans for multifamily residential property construction and land development purposes. Also exclude loans secured by nonfarm nonresidential properties.

- *In column I–100% risk weight*, include the carrying value of HFS loans that are residential mortgage exposures that are not included in columns G, H or Q.

4(b) **High volatility commercial real estate exposures.** Report in column A the carrying value of loans and leases held for sale (HFS) that are high volatility commercial real estate (HVCRE) exposures,[12] including HVCRE exposures that are 90 days or more past due or in nonaccrual status:

- *In column J–150% risk weight*, include the portion of the carrying value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules.

4(c) **Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases held for sale (HFS) that are 90 days or more past due or in nonaccrual status according to the requirements set forth in §.32(k) of the regulatory capital rules. Do not include HFS exposures to sovereigns or HFS residential mortgage exposures, as described in §.32(a) and §.32(g) respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule SC-R, Part II, item 4(d) and item 4(a), respectively). Also do not include HFS high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule SC-R, Part II, item 4(b)).

- *In column J–150% risk weight*, include the carrying value of exposures that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- Loans and leases held for sale that are past due 90 days or more or in nonaccrual status that must be risk weighted according to the Country Risk Classification (CRC) methodology

[12] High volatility commercial real estate (HVCRE) exposure means a credit facility that, prior to conversion to permanent financing, finances or has financed the acquisition, development, or construction (ADC) of real property, unless the facility finances:
(1) One- to four-family residential properties;
(2) Real property that:
(i.) would qualify as an investment in community development under 12 U.S.C. 338a or 12 U.S.C. 24 (Eleventh), as applicable, or as a ‘‘qualified investment’’ under [12 CFR part 228], and
(ii.) is not an ADC loan to any entity described in [12 CFR 208.22(a)(3) or 228.12(g)(3)], unless it is otherwise described in paragraph (1), (2)(i), (3) or (4) of this definition;
(3) The purchase or development of agricultural land, which includes all land known to be used or usable for agricultural purposes (such as crop and livestock production), provided that the valuation of the agricultural land is based on its value for agricultural purposes and the valuation does not take into consideration any potential use of the land for non-agricultural commercial development or residential development; or
(4) Commercial real estate projects in which:
(i.) the loan-to-value ratio is less than or equal to the applicable maximum supervisory loan-to-value ratio in the real estate lending standards at [12 CFR part 208, appendix C];
(ii.) The borrower has contributed capital to the project in the form of case or unencumbered readily marketable asset (or has paid development expenses out-of-pocket) of at least 15 percent of the real estate’s appraised ‘‘as completed’’ value; and
(iii.) The borrower contributed the amount of capital required by paragraph (4)(ii) of this definition before the bank advances funds under the credit facility, and the capital contributed by the borrower, or internally generated by the project, is contractually required to remain in the project throughout the life of the project. The life of a project concludes only when the credit facility is converted to permanent financing or is sold or paid in full. Permanent financing may be provided by the bank that provided the ADC facility as long as the permanent financing is subject to the bank’s underwriting criteria for long-term mortgage loans.

- *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
- The carrying value of exposures that are 90 days or more past due or in nonaccrual status, excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

4(d) **All other exposures.** Report in column A the carrying value of all other loans and leases held for sale (HFS) that are not reported in Schedule SC-R, Part II, items 4(a) through 4(c) above:

- *In column C–0% risk weight,* include the carrying value of the unconditionally guaranteed portion of HFS SBA "Guaranteed Interest Certificates" purchased in the secondary market.

Loans to finance agricultural productions and other loans to farmers
Include:
(1) Loans and advances made for the purpose of financing agricultural production, including the growing and storing of crops, the marketing or carrying of agricultural products by the growers thereof, and the breeding, raising, fattening, or marketing of livestock.
(2) Loans and advances made for the purpose of financing fisheries and forestries, including loans to commercial fishermen.
(3) Agricultural notes and other notes of farmers that the holding company has discounted for, or purchased from, merchants and dealers, either with or without recourse to the seller.
(4) Loans to farmers that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by a party other than the FmHA or SBA.
(5) Loans and advances to farmers for purchases of farm machinery, equipment, and implements.
(6) Loans and advances to farmers for all other purposes associated with the maintenance or operations of the farm, including the following:
(a) purchases of private passenger automobiles and other retail consumer goods; and
(b) provisions for the living expenses of farmers or ranchers and their families.

Loans to farmers for household, family, and other personal expenditures (including credit cards and related plans) that are not readily identifiable as being made to farmers need not be included in this item.

Exclude the following from loans to finance agricultural production and other loans to farmers:
(1) Loans secured by real estate.
(2) Loans to farmers for commercial and industrial purposes, e.g., when a farmer is operating a business enterprise as well as a farm.

(3) Loans to farmers for the purpose of purchasing or carrying stocks, bonds, and other securities.
(4) Loans to farmers secured by oil or mining production payments.
(5) Notes insured by the Farmers Home Administration (FmHA) and instruments (certificates of beneficial ownership, insured note insurance contracts) representing an interest in FmHA-insured notes. Such notes and instruments are backed by loans made, serviced, and collected by the FmHA and were issued prior to January 1, 1975.

<u>Commercial and industrial loans</u>
Report loans for commercial and industrial purposes to sole proprietorships partnerships, corporations, and other business enterprises, whether secured (other than those that meet the definition of a "loan secured by real estate") or unsecured, single-payment, or installment. These loans may take the form of direct or purchased loans.

Include the acceptances of the consolidated banking subsidiaries of the reporting holding company that they hold in their portfolio when the account party is a commercial or industrial enterprise. Also include loans to individuals for commercial, industrial, and professional purposes but not for investment or personal expenditure. Exclude all commercial and industrial loans held in trading accounts.

<u>Include</u> loans of the types listed below. These descriptions may overlap and are not all inclusive.

(1) Loans for commercial, industrial, and professional purposes to
 (a) mining, oil- and gas-producing, and quarrying companies;
 (b) manufacturing companies of all kinds, including those that process agricultural commodities;
 (c) construction companies;
 (d) transportation and communications companies and public utilities;
 (e) wholesale and retail trade enterprises and other dealers in commodities;
 (f) cooperative associations including farmers' cooperatives;
 (g) service enterprises such as hotels, motels, laundries, automotive service stations, and nursing homes and hospitals operated for profit;
 (h) insurance agents; and
 (i) practitioners of law, medicine, and public accounting.
(2) Loans for the purpose of financing capital expenditures and current operations.
(3) Loans to business enterprises guaranteed by the Small Business Administration.
(4) Loans to farmers for commercial and industrial purposes (when farmers operate a business enterprise as well as a farm).
(5) Loans supported by letters of commitment from the Agency for International Development.
(6) Loans made to finance construction that do not meet the definition of a "loan secured by real estate."
(7) Loans to merchants or dealers on their own promissory notes secured by the pledge of their own installment paper.

(8) Loans extended under credit cards and related plans that are readily identifiable as being issued in the name of a commercial or industrial enterprise.
(9) Dealer flooring or floor-plan loans.
(10) Loans collateralized by production payments (e.g., oil or mining production payments). Treat as a loan to the original seller of the production payment rather than to the holder of the production payment. For example, report in this item, as a loan to an oil company, a loan made to a nonprofit organization collateralized by an oil production payment.
(11) Loans and participations in loans secured by conditional sales contracts made to finance the purchase of commercial transportation equipment.
(12) Commercial and industrial loans guaranteed by foreign governmental institutions.
(13) Overnight lending for commercial and industrial purposes.

Exclude the following from commercial and industrial loans:
(1) Loans that meet the definition of a "loan secured by real estate," even if for commercial and industrial purposes (report in item 4(a)).
(2) Loans to depository institutions.
(3) Loans to non-depository financial institutions such as real estate investment trusts, mortgage companies, and insurance companies.
4) Loans for the purpose of purchasing or carrying securities.
(5) Loans for the purpose of financing agricultural production, whether made to farmers or to nonagricultural businesses.
(6) Loans to nonprofit organizations, such as hospitals or educational institutions, except those for which oil or mining production payments serve as collateral that are to be reported in this item.
(7) Holdings of acceptances accepted by other banks, i.e., that are not consolidated on this report by the reporting holding company.
(8) Holdings of acceptances of banking subsidiaries of the consolidated holding company when the account party is another bank or a foreign government or official institution.
(9) Equipment trust certificates.
(10) Any commercial or industrial loans and bankers acceptances, held in the holding company's trading accounts.
(11) Commercial paper.

- *In column G–20% risk weight*, include the carrying value of HFS loans to and acceptances of other U.S. depository institutions, plus the carrying value of the guaranteed portion of HFS SBA loans originated and held by the reporting holding company that are loans to finance agricultural production and other loans to farmers and commercial and industrial loans, and the carrying value of the portion of HFS student loans reinsured by the U.S. Department of Education.

  Loans to depository institutions and acceptances of other banks.
  Report all loans (other than those that meet the definition of a ''loan secured by real estate''), including overdrafts to banks, other depository institutions, and other associations, companies, and financial intermediaries whose primary business is to accept deposits and to extend credit for business or for personal

expenditure purposes and holdings at all bankers' acceptances accepted by other banks and not held for trading.

Depository institutions cover:
(1) Commercial banks in the U.S., including:
(a) U.S. branches and agencies of foreign banks, U.S. branches and agencies of foreign official banking institutions, and investment companies that are chartered under Article XII of the New York State banking law and are majority-owned by one more foreign banks; and
(b) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks;
(2) Depository institutions in the U.S., other than commercial banks, including:
(a) credit unions;
(b) mutual or stock savings banks;
(c) savings or building and loan associations;
(d) cooperative banks; and
(e) other similar depository institutions; and
(3) Banks in foreign countries, including:
(a) foreign-domiciled branches of other U.S. banks; and
(b) foreign-domiciled branches of foreign banks. See the Glossary entry for "banks, U.S. and foreign" and "depository institutions in the U.S." in FR Y-9C for further discussion of these terms.

Include the following as loans to depository institutions and acceptances of other banks:
(1) Loans to depository institutions for the purpose of purchasing or carrying securities.
(2) Loans to depository institutions for which the collateral is a mortgage instrument and not the underlying real property. Report loans to depository institutions where the collateral is the real estate itself, as evidenced by mortgages or similar liens, in item 1.
(3) Purchases of mortgages and other loans under agreements to resell that do not involve the lending of immediately available funds or that mature in more than one business day, if acquired from depository institutions.
(4) The acceptances of the consolidated subsidiary banks of the reporting holding company discounted and held in their portfolios when the account party is another depository institution.
(5) Any borrowing or lending of immediately available funds that matures in more than one business day, other than security repurchase and resale agreements. Such transactions are sometimes referred to as "term federal funds."

Exclude the following from loans to depository institutions:
(1) All transactions "Federal funds sold and securities purchased under agreements to resell."
(2) Loans secured by real estate, even if extended to depository institutions.
(3) Loans to holding companies of depository institutions not owned or controlled by the reporting holding company.
(4) Loans to real estate investment trusts and to mortgage companies that specialize in mortgage loan originations and warehousing or in mortgage loan servicing.

(5) Loans to finance companies and insurance companies.
(6) Loans to brokers and dealers in securities, investment companies, and mutual funds.
(7) Loans to Small Business Investment Companies.
(8) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities (as described in Federal Reserve Regulation U) and loans to "plan lenders" (as defined in Federal Reserve Regulation G).
(9) Loans to federally sponsored lending agencies. (Refer to the Glossary entry for "federally sponsored lending agency" in FR Y-9C for the definition of this term.)
(10) Dollar exchange acceptances created by foreign governments and official institutions.
(11) Loans to foreign governments and official institutions, including foreign central banks. See the Glossary entry for "foreign governments and official institutions" in FR Y-9C for the definition of this term.
(12) Acceptances accepted by the reporting holding company, discounted, and held in its portfolio, when the account party is not another depository institution.

- *In column H–50% risk weight*, include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight.

- *In column I–100% risk weight*, include the carrying value of HFS loans and leases that are not included in columns C through H and J through Q. Also include the carrying value of HFS loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight.

  These exposures may include portions of, but may not be limited to:
  (1) Other real estate exposures that do not qualify for the 20% or 50% risk weights, including construction, land development, and other land loans.
  (2) Other loans to finance agricultural production and other loans to farmers that did not qualify for the 0% or 20% risk weights.
  (3) Other commercial and industrial loans that did not qualify for the 0% or 20% risk weights.
  (4) Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans), including purchased paper. Such exposures could include credit cards, other revolving credit plans, automobile loans, and other consumer loans.
  (5) Loans to nondepository financial institutions, loans for purchasing or carrying securities, and all other loans that cannot properly be reported in one of the preceding items in SC-R, items 4(a) to 4(c).
  (6) Lease financing receivables (net of unearned income), relating to direct financing and leveraged leases on property acquired by the holding company for leasing purposes.

- All other loans and leases held for sale that must be risk-weighted according to the Country Risk Classification (CRC) methodology
    - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.*
    - The carrying value of other loans and leases held for sale that are not reported in Schedule SC-R, Part II, items 4(a) through 4(c) above.

5 **<u>Loans and leases, net of unearned income.</u>** Report in column A of the appropriate subitem the carrying value of loans and leases, net of unearned income, <u>excluding</u> those loans and leases, net of unearned income, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules..

The carrying value of those loans and leases, net of unearned income, that qualify as securitization exposures must be reported in Schedule SC-R, Part II, item 9(d), column A.

Report in Schedule SC-R, items 5(a) through 5(d) the amount of loans and leases that the reporting holding company has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., held for investment.

These items must exclude the amount of loans and leases held for sale, which should be reported separately in Schedule SC-R, item 4(a) through 4(d) above. Loans and leases reported in Schedule SC-R, items 5(a) through 5(d) should be net of unearned income.

5(a) **<u>Residential mortgage exposures.</u>** Report in column A the carrying value of loans and leases, net of unearned income, that are residential mortgage exposures.[13] Also include the carrying value of loans, net of unearned income, that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules. Exclude loans secured by multifamily residential properties that do not meet the definition of a *residential mortgage exposure* or a *statutory multifamily mortgage*. Such loans should be reported in Schedule SC-R, Part II, item 5(d).

Report in this item open-end and closed-end loans, net of unearned income, secured by real estate as evidenced by mortgages (FHA, FmHA, VA, or conventional) or other liens.

See detailed instructions in Schedule SC-R, item 4(a), for exposures to include in this item.

- *In column G–20% risk weight*, include the carrying value, net of unearned income, of the guaranteed portion of FHA and VA mortgage loans that are closed-end loans secured by first liens on 1 to 4 family residential properties.

[13] See the instructions for Schedule SC-R, Part II, item 4(a), above for the definition of *residential mortgage exposure.*

- *In column H–50% risk weight*, include the carrying value, net of unearned income, of loans secured by first liens on 1-4 family residential properties and by multifamily residential properties (only include qualifying first mortgage loans) or those that meet the definition of a *residential mortgage exposure* and qualify for the 50 percent risk weight under §.32(g) of the regulatory capital rules. For 1-4 family residential mortgages, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family or multifamily residential properties, not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury's Home Affordable Mortgage Program (HAMP)). Also include loans that meet the definition of *statutory multifamily mortgage* in §.2 of the regulatory capital rules.

- *In column I–100% risk weight*, include the carrying value, net of unearned income, of loans related to residential mortgage exposures that are not included in columns G, H or Q.

5(b) **High volatility commercial real estate exposures.** Report in Column A the portion of the carrying value of loans and leases, net of unearned income, that are high volatility commercial real estate exposures (HVCRE), [14] including HVCRE exposures that are 90 days or more past due or in nonaccrual status.

- *In column J–150% risk weight*, include the portion of the carrying value, net of unearned income, of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules.

5(c) **Exposures past due 90 days or more or on nonaccrual.** Report in column A the carrying value of loans and leases, net of unearned income, that are 90 days or more past due or in non-accrual status according to the requirements set forth in in §.32(k) of the regulatory capital rules. Do not include exposures to sovereigns or residential mortgage exposures, as described in §.32(a) and §.32(g) respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule SC-R, Part II, items 5(d) and 5(a), respectively). Also do not include high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule SC-R, Part II, item 5(b)).

- *In column J–150% risk weight*, include the carrying value, net of exposures that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- Loans and leases, net of unearned income, that are past due 90 days or more or in nonaccrual status that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these*

[14] See instructions for Schedule SC-R, Part II, item 4(b), above for the definition of HVCRE exposure.

exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II. Include only those loans that are exposures to foreign banks (excluding foreign central banks):

- o The carrying value exposures that are 90 days or more past due or in nonaccrual status, excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

5(d) **All other exposures.** Report in column A the carrying value of all other loans and leases, net of unearned income, that are not reported in Schedule SC-R, items 5(a) through 5(c):

See detailed instructions in Schedule SC-R, item 4(d), for exposures to include in this item.

- *In column C–0% risk weight,* include the carrying value, net of unearned income, of the unconditionally guaranteed portion of SBA “Guaranteed Interest Certificates” purchased in the secondary market that are loans to finance agricultural production and other loans to farmers, and commercial and industrial loans.

- *In column G–20% risk weight*, include the carrying value, net of unearned income, of loans to and acceptances of other U.S. depository institutions (excluding the carrying value of any long-term exposures to non-OECD banks), plus the carrying value, net of unearned income, of the guaranteed portion of SBA loans originated and held by the reporting holding company that are loans to finance agricultural production and other loans to farmers and commercial and industrial loans, and the carrying value, net of unearned income, of the portion of student loans reinsured by the U.S. Department of Education.

- *In column H–50% risk weight*, include the carrying value of loans and leases that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight.

- *In column I–100% risk weight,* include the carrying value, net of unearned income, of loans and leases that is not included in columns C through H and J through Q (excluding loans that are assigned a higher than 100 percent risk weight, such as HVCRE loans and past due loans). Also include the carrying value of loans that meet the definition of *presold construction loan* in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight.

- All other loans and leases, net of unearned income, that must be risk weighted according to the Country Risk Classification (CRC) methodology
    - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.*
    - All loans, net of unearned income, including planned and unplanned overdrafts, to governments in foreign countries, to their official institutions, and to international and regional institutions.
    - The carrying value of other loans and leases, net of unearned income that are not reported in Schedule SC-R, Part II, items 5(a) through 5(c) above.

6 **LESS: Allowance for loan and lease losses.** Report in columns A and B the balance of the allowance for loan and lease losses.

Report the allowance for loan and lease losses as determined in accordance with generally accepted accounting principles (GAAP) (and described in the Glossary entry for "allowance for loan and lease losses" in FR Y-9C). Also include in this item any allocated transfer risk reserve related to loans and leases held for investment that the reporting holding company is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K), and in any guidelines, or instructions issued by the Federal Reserve.

Please review the instructions for FR Y-9C, Schedule HI-B, to better understand all relevant components that should be included in this item related to allowance for loan and lease losses. The instructions below import some of the most relevant components of those instructions, but may not include all exposures held by the holding company that would need to be reported in Schedule SC-R, item 6.

Allowance for loan and lease losses is equal to the sum of:

<u>Balance most recently reported at end of previous calendar year</u>
Report the balance in the allowance for loan and lease losses from the Consolidated Financial Statements for Holding Companies most recently reported at the previous calendar year-end after the effect of all corrections and adjustments to the allowance for loan and lease losses that were made in any amended report(s) for the previous calendar year-end.

<u>Recoveries</u>
Report the amount credited to the allowance for loan and lease losses for recoveries during the calendar year-to-date on amounts previously charged against the allowance for loan and lease losses.

<u>LESS: Charge-offs</u>
Report the amount of all loans and leases charged against the allowance for loan and lease losses during the calendar year-to-date.

<u>LESS: Write-downs arising from transfers of loans to a held-for-sale account</u>

Report the amount of write-downs to fair value charged against the allowance for loan and lease losses resulting from transfers of loans and leases to a held-for-sale account during the calendar year-to-date that occurred when:
(1) the reporting holding company decided to sell loans and leases that were not originated or otherwise acquired with the intent to sell, and
(2) the fair value of those loans and leases had declined for any reason other than a change in the general market level of interest or foreign exchange rates.

<u>Provision for loan and lease losses</u>
Report the amount expensed as the provision for loan and lease losses during the calendar year-to-date. The provision for loan and lease losses represents the amount needed to make the allowance for loan and lease losses adequate to absorb estimated loan and lease losses based upon management's evaluation of the holding company's current loan and lease exposures. If an amount is negative, report with a minus (-) sign.

<u>Adjustments</u>
Report the net cumulative effect of all corrections and adjustments made to the amount originally reported as the ending balances of the allowance for loan and lease losses as of the previous calendar year-end.

If the holding company entered into a reorganization that became effective during the year-to-date reporting period and has been accounted for at historical cost in a manner similar to a pooling of interests, report in this item the balance as of the end of the previous calendar year of the allowance for loan and lease losses of the business that was combined in the reorganization.

For holding companies with foreign offices, report any increases or decreases resulting from the translation into dollars of any portions of the allowance for loan and lease losses that are denominated in a foreign currency.

Report all other allowable adjustments made during the reporting period.

If the amount reported in this item is negative, report with a minus (-) sign.

7. **<u>Trading assets (excluding securitization exposures that receive standardized charges).</u>** Report in column A the fair value of trading assets <u>excluding</u> those trading assets that are securitization exposures, as defined in §.2 of the regulatory capital rules.

The fair value of those trading assets that qualify as securitization exposures must be reported in Schedule SC-R, Part II, item 9(c), column A.

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

Pursuant to ASC Topic 825, Financial Instruments (formerly FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities), all securities within the scope of ASC Topic 320, Investment-Debt and Equity Securities (formerly FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities), that a holding company has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities. In addition, for purposes of this report, holding companies may classify assets (other than securities within the scope of ASC Topic 320 for which a fair value option is elected) as trading if the holding company applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a holding company would generally not classify a loan to which it has applied the fair value option as a trading asset unless the holding company holds the loan, which it manages as a trading position, for one of the following purposes: (1) for market making activities, including such activities as accumulating loans for sale or securitization; (2) to benefit from actual or expected price movements; or (3) to lock in arbitrage profits.

Do not include in this item the carrying value of any available-for-sale securities, any loans that are held for sale (and are not classified as trading in accordance with the preceding instruction), and any leases that are held for sale.

Trading assets also include derivatives with a positive fair value resulting from the "marking to market" of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes as of the report date. Derivative contracts with the same counterparty that have positive fair values and negative fair values and meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts) (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis (See the Glossary entry for "offsetting" in FR Y-9C).

Please review the instructions for FR Y-9C, Schedule HC-D, to better understand all relevant components that should be included in items related trading assets. The instructions below import some of the most relevant components of those instructions, but may not include all loan and lease exposures held by the holding company that would need to be reported in Schedule SC-R, item 7.

For all trading assets reported in column A for holding companies not subject to the market risk capital rules:

- *In column B*, include the portion that represents the fair value of derivative contracts that are assets. Exclude from column B those derivative contracts reported in these items that qualify as securitization exposures.

- *In column C–0% risk weight*, include the fair value of those trading assets that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such trading assets may include portions of, but may not be limited to:
  - The fair value of U.S. Treasury securities,
  - The fair value of securities issued by U.S. Government agencies (excluding mortgage-backed securities), and
  - The fair value of mortgage-backed securities guaranteed by GNMA.
  - Exclude those trading assets that qualify as securitization exposures and report them in Schedule SC-R, Part II, item 9(c).

- *In column G–20% risk weight*, include the fair value of those trading assets that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such trading assets may include portions of, but may not be limited to:
  - The fair value of securities issued by U.S. Government-sponsored agencies (excluding mortgage-backed securities),
  - The fair value of general obligations issued by states and political subdivisions in the U.S.,
  - The fair value of mortgage-backed securities issued by FNMA and FHLMC
  - The fair value of those asset-backed securities, structured financial products, and other debt securities that represent exposures to U.S. depository institutions;
  - The portion of the amount that represents loans to and acceptances of U.S. depository institutions, and
  - The fair value of certificates of deposit and bankers acceptances.
  - Exclude those trading assets that qualify as securitization exposures and report them in Schedule SC-R, Part II, item 9(c).

- *In column H–50% risk weight*, include the fair value of those trading assets that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such trading assets may include portions of, but may not be limited to:
  - The fair value of revenue obligations issued by states and political subdivisions in the U.S., and
  - The fair value of those mortgage-backed securities.
  - Exclude those trading assets that qualify as securitization exposures and report them in Schedule SC-R, Part II, item 9(c).

- *In column I–100% risk weight*, include the fair value of those trading assets that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such trading assets may include portions of, but may not be limited to:
  - The fair value of those mortgage-backed securities, and
  - Other debt securities that represent exposures to corporate entities and special purpose vehicles (SPVs).
  - Also include the fair value of trading assets that is not included in Schedule SC-R, item 7, columns C through H and J though Q. Exclude those trading assets that qualify as securitization exposures and report them in Schedule SC-R, Part II, item 9(c).

- Trading assets that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include the portions of those exposures that are directly and unconditionally guaranteed by foreign central governments or are exposures on foreign depository institutions that do not qualify as securitization exposures. Such exposures may include portions of, but may not be limited to:
  - The fair value of those mortgage-backed securities, and
  - Other debt securities issued by foreign depository institutions and foreign sovereign units.
  - Exclude those trading assets that qualify as securitization exposures and report them in Schedule SC-R, Part II, item 9(c).

8 **All other assets.** Report in column A the sum of the amounts of premises and fixed assets; other real estate owned; investments in unconsolidated subsidiaries and associated companies; direct and indirect investments in real estate ventures; goodwill; other intangible assets; and other assets, excluding those assets reported that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those assets that qualify as securitization exposure must be reported in Schedule SC-R, Part II, item 9(d), column A.

Premises and fixed assets
Report the book value, less accumulated depreciation or amortization, of all premises, equipment, furniture, and fixtures purchased directly or acquired by means of a capital lease. The method of depreciation or amortization should conform to generally accepted accounting principles.

Do not deduct mortgages or other liens on such property.

Include the following as premises and fixed assets:
(1) Premises that are actually owned and occupied (or to be occupied, if under construction) by the holding company, its consolidated subsidiaries, or their branches.
(2) Leasehold improvements, vaults, and fixed machinery and equipment.
(3) Remodeling costs to existing premises.
(4) Real estate acquired and intended to be used for future expansion.
(5) Parking lots that are used by customers or employees of the holding company, its consolidated subsidiaries, and their branches.
(6) Furniture, fixtures, and movable equipment of the holding company, its consolidated subsidiaries, and their branches.
(7) Automobiles, airplanes, and other vehicles owned by the holding company or its consolidated subsidiaries and used in the conduct of its business.
(8) The amount of capital lease property (with the holding company or its consolidated subsidiaries as lessee)—premises, furniture, fixtures, and equipment. See the discussion of accounting with holding company as lessee in the Glossary entry for "lease accounting" in FR Y-9C.

(9) Stocks and bonds issued by nonmajority-owned corporations whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the holding company, its consolidated subsidiaries, or their branches.

Property formerly but no longer used for banking or nonbanking activities may be reported in this item as "premises and fixed assets'' or below in, "other real estate owned."

Exclude from premises and fixed assets:
(1) Original paintings, antiques, and similar valuable objects;
(2) Favorable leasehold rights; and
(3) Loans and advances, whether secured or unsecured, to individuals, partnerships, and nonmajority-owned corporations for the purpose of purchasing or holding land, buildings, or fixtures occupied or used (or to be occupied or used) by the holding company, its consolidated subsidiaries, or their branches.

Other real estate owned
Report the net book value of all real estate other than (1) holding company premises owned or controlled by the holding company and its consolidated subsidiaries and (2) direct and indirect investments in real estate ventures. Do not deduct mortgages or other liens on such property. Amounts should be reported net of any applicable valuation allowances.

Include as all other real estate owned:
(1) Foreclosed real estate, i.e.
(a) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the holding company has not yet received title to the property.
(b) Real estate collateral underlying a loan when the holding company has obtained physical possession of the collateral, regardless of whether formal foreclosure proceedings have been instituted against the borrower.

Foreclosed real estate received in full or partial satisfaction of a loan should be recorded at the fair value less cost to sell of the property at the time of foreclosure. This amount becomes the "cost" of the foreclosed real estate. When foreclosed real estate is received in full satisfaction of a loan, the amount, if any, by which the recorded amount of the loan exceeds the fair value less cost to sell of the property is a loss which must be charged to the allowance for loan and lease losses at the time of foreclosure. The amount of any senior debt (principal and accrued interest) to which foreclosed real estate is subject at the time of foreclosure must be reported as a liability.

After foreclosure, each foreclosed real estate asset must be carried at the lower of (1) the fair value of the asset minus the estimated costs to sell the asset or (2) the cost of the asset (as defined in the preceding paragraph). This determination must be made on an asset-by-asset basis. If the fair value of a foreclosed real estate asset minus the estimated costs to sell the asset is less than the asset's cost, the deficiency must be recognized as a valuation allowance against the asset which is created through a charge to expense. The valuation allowance should thereafter be increased or decreased (but not below zero) through charges or credits to expense for changes in the asset's fair value or estimated selling costs. (For further information, see the Glossary entries for "foreclosed assets" and "troubled debt restructurings" in FR Y-9C).

(2) Foreclosed real estate backing mortgage loans insured by the Federal Housing Administration (FHA) or the Farmers Home Administration (FmHA) or guaranteed by the Veterans Administration (VA) that back Government National Mortgage Association (GNMA) securities, i.e., ''GNMA loans.''
(3) Property originally acquired for future expansion but no longer intended to be used for that purpose.
(4) Foreclosed real estate sold under contract and accounted for under the deposit method of accounting in accordance with ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales (formerly FASB Statement No. 66, *Accounting for Sales of Real Estate*). Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion method of accounting under ASC Subtopic 360-20 is being used to account for the sale, the receivable resulting from the sale of the foreclosed real estate should be reported as a loan and any gain on the sale should be recognized in accordance with ASC Subtopic 360-20. For further information, see the Glossary entry for "foreclosed assets" in FR Y-9C.

Property formerly but no longer used for banking may be reported either in this item as "all other real estate owned" or "premises and fixed assets."

<u>Investments in unconsolidated subsidiaries and associated companies</u>
Report the amount of the holding company's investments in the stock of all subsidiaries that have not been consolidated, associated companies, corporate joint ventures, unincorporated joint ventures, and general partnerships over which the holding company exercises significant influence; and noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting" in FR Y-9C), excluding those that represent direct and indirect investments in real estate venture. The entities in which these investments have been made are collectively referred to as "investees." Special purpose entities issuing trust preferred securities that a holding company deconsolidates under GAAP generally are considered unconsolidated subsidiaries for regulatory reporting and other regulatory purposes. Include such investments in unconsolidated special purpose entities that issue trust preferred securities. Also include loans and advances to investees and holdings of their bonds, notes, and debentures.

Investments in the common stock of investees shall be reported using the equity method of accounting in accordance with GAAP. Under the equity method, the carrying value of the holding company's investment in the common stock of an investee is originally recorded at cost but is adjusted periodically to record as income the holding company's proportionate share of the investee's earnings or losses and decreased by the amount of any cash dividends received from the investee and amortization of goodwill.

For purposes of this report, the date through which the carrying value of the holding company's investment in an investee has been adjusted should, to the extent practicable, match the report date of the FR Y-9C, but in no case differ by more than 93 days from the report date.

Unconsolidated subsidiaries include all subsidiaries of the reporting holding company that are 50 percent or less owned (i.e., less than majority-owned) by the reporting holding company or, for some reason under GAAP, are not consolidated on the reporting holding company's consolidated financial statements. Refer to the General Instructions section of this book for a more detailed discussion of consolidation. See also the Glossary entry for "subsidiaries" in FR Y-9C for definitions of subsidiary, associated companies, and joint ventures.

Direct and indirect investments in real estate ventures
Report the amount of the holding company's direct and indirect investments in real estate ventures.

Exclude real estate acquired in any manner for debts previously contracted, including, but not limited to, real estate acquired through foreclosure or acquired by deed in lieu of foreclosure, and equity holdings that indirectly represent such real estate. Include as direct and indirect investments in real estate ventures:

(1) Any real estate acquired, directly or indirectly, by the holding company or a consolidated subsidiary and held for development, resale, or other investment purposes. (Do not include real estate acquired in any manner for debts previously contracted, including, but not limited to, real estate acquired through foreclosure or acquired by deed in lieu of foreclosure).

(2) Real estate acquisition, development, or construction (ADC) arrangements which are accounted for as direct investments in real estate or real estate joint ventures in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly AICPA Practice Bulletin 1, Appendix, Exhibit I, *ADC Arrangements*).

(3) Real estate acquired and held for investment by the holding company or a consolidated subsidiary that has been sold under contract and accounted for under the deposit method of accounting in accordance with ASC Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales (formerly FASB Statement No. 66, *Accounting for Sales of Real Estate*). Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion method of accounting under ASC Subtopic 360-20 is being used to account for the sale, the receivable resulting from

the sale of the real estate should be reported as a loan and any gain on the sale should be recognized in accordance with ASC Subtopic 360-20.

(4) Any other loans secured by real estate and advanced for real estate acquisition, development, or investment purposes if the reporting holding company in substance has virtually the same risks and potential rewards as an investor in the borrower's real estate venture.

(5) Investments in subsidiaries that have not been consolidated; associated companies; corporate joint ventures, unincorporated joint ventures, and general partnerships over which the holding company exercises significant influence; and noncontrolling investments in certain limited partnerships and limited liability companies (described in the Glossary entry for "equity method of accounting" in FR Y-9C) that are primarily engaged in the holding of real estate for development, resale, or other investment purposes. The entities in which these investments have been made are collectively referred to as "investees." Investments by the holding company in these investees may be in the form of common or preferred stock, partnership interests, loans or other advances, bonds, notes, or debentures. Such investments shall be reported using the equity method of accounting.

(6) Investments in corporate joint ventures, unincorporated joint ventures, and general partnerships over which the holding company does not exercise significant influence and investments in limited partnerships and limited liability companies that are so minor that the holding company has virtually no influence over the partnership or company, where the entity in which the investment has been made is primarily engaged in the holding of real estate for development, resale, or other investment purposes.

<u>Goodwill</u>
Report the carrying amount of goodwill as adjusted for any impairment losses. See "acquisition method" in the Glossary entry for "business combinations" in the FR Y-9C for guidance on the recognition and initial measurement of goodwill acquired in a business combination. Goodwill should not be amortized, but must be tested for impairment as described in the Glossary entry for "goodwill, and in the instructions to Schedule HI, item 7(c)(1) Goodwill impairment losses" in the FR Y-9C.

Goodwill represents the excess of the cost of a company over the sum of the fair values of the tangible assets and identifiable intangible assets acquired less the fair value of liabilities assumed in a business combination accounted for as a purchase.

<u>Other intangible assets</u>
Report the carrying amount of intangible assets other than goodwill. Intangible assets primarily result from business combinations accounted for under the acquisition method in accordance with ASC Topic 805, Business Combinations (formerly FASB Statement No. 141(R), *Business Combinations*), from acquisitions of portions or segments of another institution's business such as mortgage servicing portfolios, and credit card portfolios, and from the sale or securitization of financial assets with servicing retained.

An intangible asset with a finite life (other than a servicing asset) should be amortized over its estimated useful life and should be reviewed at least quarterly to determine whether events or changes in circumstances indicate that its carrying amount may not be recoverable. If this review indicates that the carrying amount may not be recoverable, the intangible asset should be tested for recoverability (impairment) in accordance with ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*). An impairment loss shall be recognized if the carrying amount of the intangible asset is not recoverable and this amount exceeds the asset's fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted expected future cash flows from the intangible asset. An impairment loss is recognized by writing the intangible asset down to its fair value (which becomes the new accounting basis of the intangible asset), with a corresponding charge to expense (which should be reported in Schedule HI, item 7(c)(2)). Subsequent reversal of a previously recognized impairment loss is prohibited.

An intangible asset with an indefinite useful life should not be amortized, but should be tested for impairment at least annually in accordance with ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 142, *Goodwill and Other Intangible Assets*).

Include in other intangible assets:
(1) Mortgage servicing assets: Report the carrying amount of mortgage servicing assets, i.e., the cost of acquiring contracts to service loans secured by real estate (as defined in the Glossary entry for "Loans secured by real estate" in FR Y-9C) that have been securitized or are owned by another party, net of any related valuation allowances. For further information, see the Glossary entry for "servicing assets and liabilities" in FR Y-9C.

(2) Purchased credit card relationships and nonmortgage servicing assets: Report the carrying amount of purchased credit card relationships (PCCRs) plus the carrying value of nonmortgage servicing assets.

PCCRs represent the right to conduct ongoing credit card business dealings with the cardholders. In general, PCCRs are an amount paid in excess of the value of the purchased credit card receivables. Such relationships arise when a banking organization purchases existing credit card receivables and also has the right to provide credit card services to those customers. PCCRs may also be acquired when the reporting holding company acquires an entire depository institution.
Purchased credit card relationships shall be carried at amortized cost. Management of the institution shall review the carrying amount at least quarterly, adequately document this review, and adjust the carrying amount as necessary. This review should determine whether unanticipated acceleration or deceleration of cardholder payments, account attrition, changes in fees or finance charges, or other events or changes in circumstances indicate that the carrying amount of the purchased credit card relationships may not be recoverable. If this review indicates that the carrying amount may not be recoverable, the intangible asset should be tested for recoverability, and any impairment loss should be recognized.

The carrying value of nonmortgage servicing assets is the unamortized cost of acquiring contracts to service financial assets, other than loans secured by real estate, that have been securitized by another party, net of any related valuation allowances.

(3) All other identifiable intangible assets: Report the carrying amount of all other specifically identifiable intangible assets such as core deposit intangibles and favorable leasehold rights. Exclude goodwill.

Other assets
Report all other assets excluding securitization exposures not already included in this Schedule SC-R, items 1 through 7.

Such assets may include, but are not limited to:
(1) Accrued interest receivable;
(2) Net deferred tax assets;
(3) Interest-only strips receivable (not in the form of a security) on mortgage loans, and other financial assets;
(4) Equity securities that do not have readily determinable fair values;
(5) Life insurance assets, including separate account, general account, and hybrid assets; and
(6) Other assets.

See detailed instructions in FR Y-9C, Schedule HC-F for a complete description of other assets.

Treatment of Default Fund Contributions
Also include the amount of default fund contributions made by the holding company to central counterparties (CCP) and collateral provided by the holding company to CCPs that are not bankruptcy remote as described in §.35 of the regulatory capital rules, excluding securities provided as collateral. However, if the collateral is securities, report the securities amounts in Schedule SC-R, Part II, items 2(a), 2(b), or 7, as appropriate.

Treatment of Defined Benefit Postretirement Assets - Applicable Only to Banks That Have Made the Accumulated Other Comprehensive Income (AOCI) Opt-Out Election in Schedule SC-R, Part I, item 3(a)

If the reporting institution sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, accounted for in accordance with ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (FAS 158)), the institution should adjust the asset amount reported in column A of this item affecting assets as a result of the initial and subsequent application of the funded status and measurement date provisions of ASC Subtopic 715-20. The adjustment also should take into account subsequent amortization of these amounts from AOCI into earnings. The intent of the adjustment reported in this item (together with the amount reported in Schedule SC-R, Part I, item 9(d)) is to reverse the effects on AOCI of applying ASC Subtopic 715-20 for regulatory capital purposes. Specifically, assets recognized or derecognized as an

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adjustment to AOCI as part of the incremental effect of applying ASC Subtopic 715-20 should be reported as an adjustment to assets in column B of this item. For example, the derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Subtopic 715-20 should be reported in this item as a negative amount in column B and as a positive amount in column I. As another example, the portion of a benefit plan surplus asset that is included as an increase to AOCI and in column A of this item should be excluded from risk-weighted assets by reporting the amount as a positive number in column B of this item.

- *In column B*, include the amount of:
  - Any goodwill net of associated deferred tax liabilities (DTLs) reported in Schedule SC-R, Part I, item 6;
  - Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs reported in Schedule SC-R, Part I, item 7;
  - Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs reported in Schedule SC-R, Part I, item 8;
  - The fair value of derivative contracts that are reported as assets.
  - Items subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule SC-R, Part I, items 13 through 16. These excess amounts pertain to three items:
    - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
    - Mortgage servicing assets; and
  - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.
  - The holding company's investments in unconsolidated banking and finance subsidiaries that have been deducted for risk-based capital purposes in Schedule SC-R, Part I, item 33.

- *In column C–0% risk weight*, include:
  - The carrying value of Federal Reserve Bank stock
  - Accrued interest receivable on assets included in the zero percent risk weight category (column C of Schedule SC-R, Part II, items 1 through 7); and
  -
  - The carrying value of gold bullion not held for trading that is held in the holding company's own vault or in another holding company's bank's vault on an allocated basis, and exposures that arise from the settlement of cash transactions (such as equities, fixed income, spot foreign exchange, and spot commodities) with a central counterparty where there is no assumption of ongoing credit risk by the central counterparty after settlement of the trade and associated default fund contributions.

- *In column G–20% risk weight*, include:
  - The carrying value of Federal Home Loan Bank stock;
  - Accrued interest receivable on assets included in the 20 percent risk weight category (column G of Schedule SC-R, Part II, items 1 through 7); and

- The portion of customers' acceptance liability that has been participated to other depository institutions.

- *In column H–50% risk weight*, include accrued interest receivable on assets included in the 50 percent risk weight category (column H of Schedule SC-R, Part II, items 1 through 7).

- *In column I–100% risk weight*, include:
  - Accrued interest receivable on assets included in the 100 percent risk weight category (column I of Schedule SC-R, Part II, items 1 through 7);
  - Delivery-versus-payment (DvP) and payment-versus-payment (PvP) transactions in which the counterparty has not made delivery or payment within 5 to 15 business days after the contractual settlement date as described in §.38 of the regulatory capital rules; and
  - The amount of all other assets reported in column A that is not included in columns B through Q.
  - Also include the amounts of items that exceed the 10 percent and 15 percent common equity tier 1 capital deduction thresholds and are included in capital, as described in §.22 of the regulatory capital rules. These amounts pertain to three items:[15]
    - Significant investments in the capital of unconsolidated financial institutions in the form of common stock;
    - Mortgage servicing assets; and
    - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

- *In column J–150% risk weight*, include accrued interest receivable on assets included in the 150 percent risk weight category (column J of Schedule SC-R, Part II, items 1 through 7).

- *In column L–400% risk weight*, for equity securities (other than those issued by investment firms) that do not have readily determinable fair values, include the historical cost of these equity securities.

- *In column N–600% risk weight*, for equity securities issued by investment firms that do not have readily determinable fair values, include the historical cost of these equity securities.

- *In column O–625% risk weight*, include DvP and PvP transactions in which the counterparty has not made delivery or payment within 16 to 30 business days after the contractual settlement date as described in §.38 of the regulatory capital rules.

- *In column P–937.5% risk weight*, include DvP and PvP transactions in which the counterparty has not made delivery or payment within 31 to 45 business days after the contractual settlement date as described in §.38 of the regulatory capital rules.

[15] Note: these items will become subject to a 250 percent risk weight beginning in 2018.

- *In column Q–1250% risk weight,* include:
  - DvP and PvP transactions in which the counterparty has not made delivery or payment 46 or more business days after the contractual settlement date as described in §.38 of the regulatory capital rules;
  - The amount of default fund contributions to both qualified and non-qualified central counterparties according to the methodologies described in §.35(d) of the regulatory capital rules; and
  - Non-DvP/non-PvP transactions in which the holding company has not received deliverables from the counterparty five or business days after which the delivery was due.

9 **<u>On-balance sheet securitization exposures.</u>** When determining the amount of risk-weighted assets for securitization exposures, holding companies that are not subject to the market risk capital rule may elect to use either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach, as described above and in §.41 to 45 of the regulatory capital rules. However, such holding companies must use the SSFA or Gross-Up Approach consistently across all securitization exposures (items 9(a) through 10). Holding companies may risk weight any individual securitization exposure at 1,250 percent in lieu of applying the SSFA or Gross-Up Approach to that individual exposure.

For further information, refer to the discussion of "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Part II.

9(a) **<u>Held-to-maturity securities.</u>** Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule SC-M, item 7(b), that are securitization exposures. Refer to the instructions for Schedule SC-R, Part II, item 2(a) for the reporting locations of HTM securitization exposures.

<u>Exposure amount to be used for purposes of risk weighting – holding company cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule SC-R, Part I, item 3(a):</u>
For a security classified as held-to-maturity where the holding company cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the holding company is the carrying value of the security, which is the value of the asset reported on the balance sheet of the holding company determined in accordance with GAAP and in column A.

<u>Exposure amount to be used for purposes of risk weighting – holding company has made the AOCI opt-out election in Schedule SC-R, Part I, item 3(a):</u>
For a security classified as held-to-maturity where the holding company has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the holding company is the carrying value of the security reported on the balance sheet of the holding company and in column A, less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI. In column B, report any difference between the carrying value and the exposure amount of those HTM securities reported in column A of this

item that qualify as securitization exposures and will be risk weighted by applying the 1,250 percent risk weight.

- *In column B*, all holding companies should include the amount reported in column A of this item for those HTM securities reported in Schedule SC-M, item 7(b),that qualify as securitization exposures and will be risk weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach.

- *In column Q*, report the exposure amount of those HTM securitization exposures that are risk weighted by applying the 1250 percent risk weight (i.e., those HTM securitization exposures for which the risk-weighted asset amount is <u>not</u> calculated using the SSFA or the Gross-Up Approach).

- *In column R*, report the risk-weighted asset amount (and not the exposure amount) of those HTM securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

- *In column S*, report the risk-weighted asset amount (and not the exposure amount) of HTM securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

9(b) **<u>Available-for-sale securities.</u>** Report in column A the fair value of those available-for-sale (AFS) securities reported in Schedule SC-M, item 7(a), that are securitization exposures. Refer to the instructions for Schedule SC-R, Part II, item 2(b) for a summary of the reporting locations of AFS securitization exposures.

<u>Exposure amount to be used for purposes of risk weighting – holding company that cannot or has not made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule SC-R, Part I, item 3(a):</u>
For a security classified as available-for-sale where the holding company cannot or has not made the AOCI opt-out election (i.e. most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the holding company is:

- **For debt securities:** the carrying value, which is the value of the asset reported on the balance sheet of the holding company determined in accordance with GAAP (i.e., the fair value of the available-for-sale debt security) and in column A.
- **For equity securities and preferred stock classified as an equity under GAAP:** <u>the adjusted carrying value.</u>

<u>Exposure amount to be used for purposes of risk weighting – holding company has made the AOCI opt-out election in Schedule SC-R, Part I, item 3(a):</u>
For a security classified as available-for-sale where the holding company has made the AOCI opt-out election (i.e., most AOCI is <u>not</u> included in regulatory capital), the exposure amount to be risk weighted by the holding company is:

- **For debt securities:** the carrying value, <u>less</u> any net unrealized gains on the exposure <u>plus</u> any net realized loss on the exposure included in AOCI.

- **For equity securities and preferred stock classified as an equity under GAAP:** carrying value less any net unrealized gains that are reflected in such carrying value but are excluded from the holding company's regulatory capital components.

- *In column B*, a holding company that has made the AOCI opt-out election should include the difference between the fair value and amortized cost of those AFS debt securities that qualify as securitization exposures and will be risk weighted by applying the 1,250 percent risk weight. When fair value exceeds cost, report the difference as a positive number in Schedule SC-R, Part II, item 9(b), column B. When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Schedule SC-R, Part II, item 9(b), column B.

- *In column B*, all holding companies should include the amount reported in column A of this item for those AFS securities reported in Schedule SC-M, item 7(a), that qualify as securitization exposures and will be risk-weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach.

- *In column Q*, report the exposure amount of those AFS securitization exposures that are risk-weighted by applying the 1250 percent risk weight (i.e., those AFS securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- *In column R*, report the risk-weighted asset amount (and not the exposure amount) of AFS securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

- *In column S*, report the risk-weighted asset amount (and not the exposure amount) of those AFS securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

9(c) **Trading assets that receive standardized charges.** Report in column A the fair value of those trading assets that are securitization exposures. Refer to the instructions for Schedule SC-R, Part II, item 7 for a summary of the reporting locations of trading assets that are securitization exposures.

For those trading assets that are securitization exposures held by holding companies not subject to the market risk capital rules:

- *In column B*, report the fair value reported in column A of this item for those trading assets that qualify as securitization exposures and will be risk-weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach.

- *In column Q*, report the fair value of those trading assets that are securitization exposures that are risk-weighted by applying the 1250 percent risk weight (i.e., those trading asset securitization exposures for which the risk-weighted asset amount is not calculated using the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach).

- *In column R*, report the risk-weighted asset amount (and not the fair value) of those trading assets that are securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

- *In column S*, report the risk-weighted asset amount (and not the fair value) of those trading assets that are securitization exposures for which the risk-weighted asset amount is calculated using the gross-up approach, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

9(d) **All other on-balance sheet securitization exposures.** Report in column A the amount of all on-balance sheet assets that qualify as securitization exposures and are not reported in Schedule SC-R, Part II, items 9(a), 9(b), or 9(c). Refer to the instructions for Schedule SC-R, Part II, items 1, 3, 4, 5, and 8, above for a summary of the reporting locations of other on-balance sheet securitization exposures. For a holding company that has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule SC-R, Part I, item 3(a), include in this item any accrued but uncollected interest and fees associated with held-to-maturity, available-for-sale, and trading securitization exposures.

Exposure amount to be used for purposes of risk weighting – holding company that cannot or has not made the AOCI opt-out election in Schedule SC-R, Part I, item 3(a):
For other on-balance sheet securitization exposures where the holding company cannot or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount to be risk weighted by the holding company is the exposure's carrying value, which is the value of the exposure reported on the balance sheet of the holding company determined in accordance with GAAP and in column A.

Exposure amount to be used for purposes of risk weighting – holding company has made the AOCI opt out election in Schedule SC-R, Part I, item 3(a):
For other on-balance sheet securitization exposures where the holding company has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount to be risk weighted by the holding company is the exposure's carrying value, less any net unrealized gains on the exposure plus any net realized loss on the exposure included in AOCI. In column B, report any difference between the carrying value and the exposure amount of those other on-balance sheet securitization exposures reported in column A of this item that will be risk weighted by applying the 1,250 percent risk weight.

- *In column B*, all holding companies should include the amount reported in column A of this item for those other on-balance sheet securitization exposures that will be risk-weighted using either the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach.

- *In column Q*, report the exposure amount of those other on-balance sheet securitization exposures that are risk-weighted by applying the 1250 percent risk weight (i.e., those other on-balance sheet securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- *In column R*, report the risk-weighted asset amount (and not the exposure amount) of those other on-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

- *In column S*, report the risk-weighted asset amount (and not the exposure amount) of those other on-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

10 **Off-balance sheet securitization exposures.** Report in column A the amount of all off-balance sheet items that qualify as securitization exposures. Refer to the instructions for Schedule SC-R, Part II, items 12 through 21, for a summary of the reporting locations of off-balance sheet securitization exposures.

Exposure amount to be used for purposes of risk weighting
For an off-balance sheet securitization exposure that is not a repo-style transaction or eligible margin loan for which the holding company calculates an exposure amount under §.37 of the regulatory capital rules, cleared transaction (other than a credit derivative), or over-the-counter (OTC) derivative contract (other than a credit derivative), the exposure amount is the notional amount of the exposure.

For an off-balance sheet securitization exposure to an asset-backed commercial paper (ABCP) program, such as an eligible ABCP liquidity facility, the notional amount may be reduced to the maximum potential amount that holding company could be required to fund given the ABCP program's current underlying assets (calculated without regard to the current credit quality of those assets).

The exposure amount of an eligible ABCP liquidity facility for which the Simplified Supervisory Formula Approach (SSFA) does not apply is equal to the notional amount of the exposure multiplied by a credit conversion factor (CCF) of 50 percent.

The exposure amount of an eligible ABCP liquidity facility for which the SSFA applies is equal to the notional amount of the exposure multiplied by a CCF of 100 percent.

For an off-balance sheet securitization exposure that is a repo-style transaction or eligible margin loan for which the holding company calculates an exposure amount under §.37, a cleared transaction (other than a credit derivative), or derivative contract (other than a credit derivative), the exposure amount is the amount calculated under §.34, §.35, or §.37, as applicable, of the regulatory capital rules.

- *In column B*, report the amount of those off-balance sheet securitization exposures reported in column A of this item for which the exposure amount (as described above) will be risk-weighted using either the SSFA or the Gross-Up Approach. Also include in column B the difference between the notional amount reported in column A of this and the exposure amount for those off-balance sheet items that qualify as securitization exposures and will be risk weighted by applying the 1,250 percent risk weight.

- *In column Q*, report the exposure amount of those off-balance sheet securitization exposures that are risk-weighted by applying the 1,250 percent risk weight (i.e., those off-balance sheet securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- *In column R*, report the risk-weighted asset amount (and not the exposure amount) of those off-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Part II and in §.41 to 45 of the regulatory capital rules.

- *In column S*, report the risk-weighted asset amount (and not the exposure amount) of those off-balance sheet securitization exposures for which the risk-weighted asset amount is calculated using the Gross-Up Approach, as described above in the General Instructions for Part II and in §§.41 to 45 of the regulatory capital rules.

11 **Total assets.** For columns A through Q, report the sum of items 1 through 9. The sum of columns B through Q must equal column A.

Derivatives and Off-Balance Sheet Items (Excluding Securitization Exposures)

Treatment of Liquidity Facilities for Asset-Backed Commercial Paper Programs – Holding companies that provide liquidity facilities to asset-backed commercial paper (ABCP) programs, whether or not they are the program sponsor, must report these facilities in the following manner in Schedule SC-R (unless the holding company is a sponsor and consolidates the sponsored ABCP program assets onto its balance sheet).[16] The full amount of the unused portion of an *eligible* liquidity facility with an original maturity exceeding one year to an ABCP facility should be reported in Schedule SC-R, Part II, item 18(c), column A. The full amount of the unused portion of an *eligible* liquidity facility with an original maturity of one year or less, to an ABCP facility, should be reported in Schedule SC-R, Part II, item 18(a), column A.

Treatment of Off-Balance Sheet Securitization Exposures: Any off-balance sheet items that qualify as securitization exposures are to be reported in Schedule SC-R, Part II, item 10, column A and excluded from Schedule SC-R, Part II, items 12 through 21 below.

Financial and performance standby letters of credit - Originating holding companies (or their subsidiaries) must report in items 12 and 13 the full amount outstanding and unused of financial and performance standby letters of credit, respectively. Include those standby letters of credit that are collateralized by cash on deposit, that have been acquired by others, and in which participations have been conveyed to others where (a) the originating and issuing holding company is obligated to pay the full amount of any draft drawn under the terms of the standby letter of credit and (b) the participating institutions have an obligation to partially or wholly reimburse the originating holding company, either directly in cash or through a participation in a loan to the account party.

For syndicated standby letters of credit where each holding company has a direct obligation to the beneficiary, each institution must report only its share in the syndication. Similarly, if several organizations participate in the issuance of a standby letter of credit under a bona fide binding agreement that provides that (a) regardless of any event, each participant shall be liable only up to a certain percentage or to a certain amount and (b) the beneficiary is advised and has agreed that each participating organization is only liable for a certain portion of the entire amount, each holding company shall report only its proportional share of the total standby letter of credit.

For a financial or performance standby letter of credit that is in turn backed by a financial standby letter of credit issued by another institution, each holding company must report the entire amount of the standby letter of credit it has issued in either item 12 or 13 below, as appropriate. The amount of the reporting holding company's financial or performance standby letter of credit that is backed by the other institution's financial standby letter of credit must be included as appropriate, since the backing of standby letters of credit has substantially the same effect as the conveying of participations in standby letters of credit.

Also, include all financial and performance guarantees issued by foreign offices of the reporting holding company pursuant to Section 211.4(a)(1) of Federal Reserve Regulation K.

[16] For further guidance on eligible and ineligible liquidity facilities, holding companies should refer to the "Interagency Guidance on the Eligibility of Asset-Backed Commercial Paper Liquidity Facilities and the Resulting Risk-Based Capital Treatment" issued August 4, 2005 (Federal Reserve Supervision and Regulation Letter 05-13).

See detailed instructions in FR Y-9C, Schedule HC-L for a complete description of derivative and off-balance sheet items.

Item No. Caption and Instructions

12 **Financial standby letters of credit.** For financial standby letters of credit reported that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules, but are credit enhancements for assets, report *in column A:*

(1) The amount outstanding and unused of those letters of credit for which this amount is less than the effective risk-based capital requirement for the assets that are credit-enhanced by the letter of credit multiplied by 12.5.

(2) The full amount of the assets that are credit-enhanced by those letters of credit that are not multiplied by 12.5.

For all other financial standby letters of credit reported that do not meet the definition of a securitization exposure, report in column A the amount outstanding and unused of these letters of credit.

Financial standby letters of credit
Report the amount outstanding and unused as of the report date of all financial standby letters of credit (and all legally binding commitments to issue financial standby letters of credit) issued by any office of the holding company or its consolidated subsidiaries. A financial standby letter of credit irrevocably obligates the holding company to pay a third-party beneficiary when a customer (account party) fails to repay an outstanding loan or debt instrument. (See the Glossary entry for "letter of credit" in FR Y-9C for further information).

Exclude from financial standby letters of credit the following:
(1) Financial standby letters of credit where the beneficiary is a consolidated subsidiary of the holding company.
(2) Performance standby letters of credit.
(3) Signature or endorsement guarantees of the type associated with the clearing of negotiable instruments or securities in the normal course of business.

- *In column B,* report 100 percent of the amount reported in column A.

- *In column G–20% risk weight*, include the credit equivalent amount of the portion of financial standby letters of credit that has been conveyed to U.S. depository institutions.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- Financial standby letters of credit that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The credit equivalent amount of the portion of financial standby letters of credit reported that has been conveyed to foreign depository institutions.

13 <u>Performance standby letters of credit and transaction-related contingent items.</u>
Report in column A transaction related contingent items, which includes the face amount of performance standby letters of credit and any other transaction related contingent items that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules.

<u>Performance standby letters of credit and transaction related contingent items</u>
Report the amount outstanding and unused as of the report date of all performance standby letters of credit and transaction related contingent items (and all legally binding commitments to issue performance standby letters of credit) issued by any office of the holding company or its consolidated subsidiaries. A performance standby letter of credit irrevocably obligates the holding company to pay a third-party beneficiary when a customer (account party) fails to perform some contractual no financial obligation. (See the Glossary entry for “letter of credit” in FR Y-9C for further information).

<u>Exclude</u> from performance standby letters of credit the following:
(1) Performance standby letters of credit where the beneficiary is a consolidated subsidiary of the holding company.
(2) Financial standby letters of credit.
(3) Signature or endorsement guarantees of the type associated with the clearing of negotiable instruments or securities in the normal course of business.

- *In column B*, report 50 percent of the face amount reported in column A.

- *In column G–20% risk weight*, include the credit equivalent amount of the portion of performance standby letters of credit, performance bids, bid bonds, and warranties that have been conveyed to U.S. depository institutions.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- Performance standby letters of credit and transaction-related contingent items that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The credit equivalent amount of the portion of performance standby letters of credit, performance bids, bid bonds, and warranties that have been conveyed to foreign depository institutions.

14 **Commercial and similar letters of credit with an original maturity of one year or less.** Report in column A the face amount of those commercial and similar letters of credit, including self-liquidating, trade-related contingent items that arise from the movement of goods, with an original maturity of one year or less that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules. Report those commercial letters of credit with an original maturity exceeding one year that do not meet the definition of a securitization exposure in Schedule SC-R, Part II, item 18(c).

Commercial and similar letters of credit
Report the amount outstanding and unused as of the report date of issued or confirmed commercial letters of credit, travelers' letters of credit not issued for money or its equivalent, and all similar letters of credit, but excluding standby letters of credit (which are to be reported in item 12 and 13 above). Legally binding commitments to issue commercial letters of credit are to be reported in this item.

Travelers' letters of credit or other letters of credit issued for money or its equivalent by the reporting holding company or its agents should be reported as demand deposit liabilities.

- *In column B*, report 20 percent of the face amount reported in column A.

- *In column G–20% risk weight*, include the credit equivalent amount of the portion of commercial and similar letters of credit, including self-liquidating, trade-related contingent items that arise from the movement of goods, with an original maturity of one year or less, that have been conveyed to U.S. depository institutions.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- Commercial and similar letters of credit that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The credit equivalent amount of commercial and similar letters of credit, including self-liquidating, trade-related contingent items that arise from the movement of goods, with an original maturity of one year or less, that have been conveyed to foreign depository institutions.

15 **Retained recourse on small business obligations sold with recourse.** Report in column A the amount of retained recourse on small business obligations that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules.

For retained recourse on small business obligations sold with recourse that qualify as securitization exposures, please see §42.(h) of the regulatory capital rule for purposes of risk-weighting and report these exposures in Schedule SC-R, Part II, item 10.

Under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, a "qualifying institution" that transfers small business loans and leases on personal property (small business obligations) with recourse in a transaction that qualifies as a sale under generally accepted accounting principles (GAAP) must maintain risk-based capital only against the amount of recourse retained, provided the institution establishes a recourse liability account that is sufficient under GAAP. Only loans and leases to businesses that meet the criteria for a small business concern established by the Small Business Administration under Section 3(c) of the Small Business Act (12 U.S(c). 631) are eligible for this favorable risk-based capital treatment.

In general, a "qualifying institution" is one that is well capitalized without regard to the Section 208 provisions. If a holding company ceases to be a qualifying institution or exceeds the retained recourse limit set forth in banking agency regulations implementing Section 208, all new transfers of small business obligations with recourse would not be treated as sales. However, the reporting and risk-based capital treatment described above will continue to apply to any transfers of small business obligations with recourse that were consummated during the time the holding company was a "qualifying institution" and did not exceed the limit.

<u>Retained recourse on small business obligations sold with recourse</u>
Report the maximum contractual amount of recourse the reporting institution has retained on the small business obligations whose outstanding principal balance was not a reasonable estimate of the probable loss under the recourse provision and not the fair value of the liability incurred under this provision. Furthermore, the remaining maximum contractual exposure should not be reduced by the amount of any associated recourse liability account. The amount of recourse exposure to be reported should not include interest payments the reporting institution has advanced

on delinquent obligations. For small business obligations transferred with full (unlimited) recourse, the amount of recourse exposure to be reported is the outstanding principal balance of the obligations as of the report date. For small business obligations transferred with limited recourse, the amount of recourse exposure to be reported is the maximum amount of principal the transferring institution would be obligated to pay the holder of the obligations in the event the entire outstanding principal balance of the obligations transferred becomes uncollectible.

- *In column B*, report 100 percent of the amount reported in column A.

- *In column G--100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

16 **Repo-style transactions (excluding reverse repos).** Report in column A the amount of repo-style transactions, which is composed of the sum of the amount of securities lent; the amount of securities borrowed; and the amount of securities sold under agreements to repurchase),[17] that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules. Exclude the amount of securities purchased under agreements to resell (i.e., reverse repos).

Securities lent
Report the appropriate amount of all securities lent against collateral or on an uncollateralized basis. Report the book value of holding company-owned securities that have been lent. In addition, for customers who have been indemnified against any losses by the reporting holding company or its consolidated subsidiaries, report the market value as of the report date of such customers' securities, including customers' securities held in the reporting holding company's trust department, that have been lent. If the reporting holding company or its consolidated subsidiaries have indemnified their customers against any losses on their securities that have been lent by the company or its subsidiaries, the commitment to indemnify—either through a standby letter of credit or other means—should not be reported in any other item.

Securities borrowed
Report the appropriate amount of all securities borrowed against collateral, or on an uncollateralized basis, for such purposes as a pledge against deposit liabilities or delivery against short sales. Report borrowed securities that are fully collateralized by similar securities of equivalent value at market value at the time they are borrowed. Report other borrowed securities at market value as of the report date.

Securities sold under agreements to repurchase
Report the outstanding amount of:
(1) Securities repurchase agreements, regardless of maturity, if the agreement requires the holding company to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll.
(2) Sales of participations in pools of securities, regardless of maturity.

[17] Although securities sold under agreements to repurchase are reported on the balance sheet (see description in Schedule HC of the Y-9C) as liabilities, they are treated as off-balance sheet items under the regulatory capital rules.

Report securities sold under agreements to repurchase on a gross basis, i.e., do not net them against securities purchased under agreements to resell, except to the extent permitted under ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 41 Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements).

Exclude from this item
(1) Repurchase agreements involving assets other than securities.
(2) Borrowings from a Federal Home Loan Bank or a Federal Reserve Bank other than in the form of securities repurchase agreements.
(3) Obligations under due bills that resulted when the holding company sold securities or other assets and received payment, but has not yet delivered the assets, and similar obligations, whether collateralized or uncollateralized. (See the Glossary entry for "due bills" in FR Y-9C.)
(4) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "repurchase/resale agreements" in FR Y-9C).

- *In column B*, report 100 percent of the face amount reported in column A.

- *In column C–0% risk weight,* include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the zero percent risk weight under the regulatory capital rules (refer to §.37 of the regulatory capital rules).

- *In column D–2% risk weight,* include the credit equivalent amount of centrally cleared repo-style transactions with Qualified Central Counterparties (QCCPs), as defined in §.2 and described in §.35 of the regulatory capital rules.

- *In column E–4% risk weight,* include the credit equivalent amount of centrally cleared repo-style transactions with QCCPs in all other cases that do not meet the criteria of qualification for a 2% risk weight, as described in §.35 of the regulatory capital rules.

- *In column G–20% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 20 percent risk weight under the regulatory capital rules. Also include the credit equivalent amount of repo-style transactions that represents exposures to U.S. depository institutions.

- *In column I-100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J–150% risk weight*, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 150 percent risk weight under the regulatory capital rules.

- Repo-style transactions that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The credit equivalent amount of repo-style transactions that represents exposures to foreign central banks and foreign depository institutions.

17 **<u>All other off-balance sheet liabilities.</u>** Report in column A:

- The notional amount of all other off-balance sheet liabilities reported that are covered by the regulatory capital rules,
- The face amount of risk participations in bankers acceptances that have been acquired by the reporting institution and are outstanding,
- The full amount of loans sold with credit-enhancing representations and warranties that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules,
- The notional amount of written option contracts that act as financial guarantees that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules,
- The notional amount of all forward agreements, which are defined as legally binding contractual obligations to purchase assets with certain drawdown at a specified future date, not including commitments to make residential mortgage loans or forward foreign exchange contracts, and
- The amount of those credit derivatives that – under the supervisory guidance issued by the Federal Reserve – are covered by the regulatory capital rules, but have not been included in any of the preceding items in the Derivatives and Off-Balance Sheet Items section of Schedule SC-R.

<u>All other off-balance sheet liabilities</u>
With the exceptions listed below, report all significant types of off-balance-sheet items not covered in other items of this schedule. Exclude off-balance-sheet derivative contracts that are reported elsewhere.

Report only the aggregate amount of those types of "other off-balance sheet items" that individually exceed 10 percent of the total equity capital reported in Schedule SC, item 16(f). If the holding company has no types of "other off-balance sheet items" that individually exceed 10 percent of total equity capital, report a zero.

<u>Include the following as other off-balance-sheet items:</u>
(1) Contracts for the purchase and sale of when-issued securities that are excluded from the requirements of ASC Topic 815, Derivatives and Hedging (formerly FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended), and accounted for on a settlement-date basis.
(2) Standby letters of credit issued by another depository institution (such as a correspondent bank), a Federal Home Loan Bank, or any other entity on behalf of the reporting holding company which is the account party on the letters of credit and

therefore is obligated to reimburse the issuing entity for all payments made under the standby letters of credit.
(3) Financial guarantee insurance that insures the timely payment of principal and interest on bond issues.
(4) Letters of indemnity other than those issued in connection with the replacement of lost or stolen official checks.
(5) Shipside or dockside guarantees or similar guarantees relating to missing bills of lading or title documents and other document guarantees that facilitate the replacement of lost or destroyed documents and negotiable instruments.

<u>Exclude</u> the following from other off-balance-sheet items:
(1) All items that are required to be reported on the balance sheet of the FR Y-9SP, such as repurchase and resale agreements.
(2) Commitments to purchase property being acquired for lease to others (report in item 1 above).
(3) Contingent liabilities arising in connection with litigation in which the reporting holding company is involved.
(4) Signature or endorsement guarantees of the type associated with the regular clearing of negotiable instruments or securities in the normal course of business.

However, exclude from column A:

- The amount of credit derivatives classified as trading assets (report in Schedule SC-R, Part II, items 20 and 21, as appropriate), and
- credit derivatives purchased by the holding company that are recognized as guarantees of an asset or off-balance sheet exposure under the regulatory capital rule, i.e., credit derivatives on which the holding company is the beneficiary (report the guaranteed asset or exposure in Schedule SC-R, Part II, in the appropriate balance sheet or off balance sheet category – e.g., item 5, "Loans and leases, net of unearned income" – and in the risk weight category applicable to the derivative counterparty – e.g., column G, 20 percent risk weight – rather than the risk weight category applicable to the obligor of the guaranteed asset).

- *In column B*, report 100 percent of the face amount notional amount, or other amount reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J–150% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- All other off-balance sheet liabilities that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The credit equivalent amount of those other off-balance sheet liabilities described above in the instructions for Column A of this item that represent an exposure to foreign central banks and foreign depository institutions.

18 **Unused commitments:** Report in items 18(a) through 18(c) the amounts of unused commitments, excluding those that are unconditionally cancelable , which are to be reported in Schedule SC-R, Part II, item 19.

Where a holding company provides a commitment structured as a syndication or participation, the holding company is only required to calculate the exposure amount for its pro rata share of the commitment.

Exclude from items 18(a) through 18(c) any unused commitments that qualify as securitization exposures, as defined in §.2 of the regulatory capital rules. Unused commitments that are securitization exposures must be reported in Schedule SC-R, Part II, item 10, column A.

Unused commitments
Report in the appropriate subitem the unused portions of commitments. Unused commitments are to be reported gross, i.e., include in the appropriate subitem the unused amount of commitments acquired from and conveyed or participated to others. However, exclude commitments conveyed or participated to others that the holding company is not legally obligated to fund even if the party to whom the commitment has been conveyed or participated fails to perform in accordance with the terms of the commitment.

For purposes of the subitem, commitments include:
(1) Commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions.

(2) Commitments for which the holding company has charged a commitment fee or other consideration.
(3) Commitments that are legally binding.
(4) Loan proceeds that the holding company is obligated to advance, such as:
(a) Loan draws;
(b) Construction progress payments; and
(c) Seasonal or living advances to farmers under prearranged lines of credit.
(5) Rotating, revolving, and open-end credit arrangements, including, but not limited to, retail credit card lines and home equity lines of credit.
(6) Commitments to issue a commitment at some point in the future, where the holding company has extended terms, the borrower has accepted the offered terms, and the extension and acceptance of the terms:
(a) Are in writing, regardless of whether they are legally binding on the holding company and the borrower, or
(b) If not in writing, are legally binding on the holding company and the borrower, even though the related loan agreement has not yet been signed and even if the commitment to issue a commitment is revocable, provided any revocation has not yet taken effect as of the report date.
(7) Overdraft protection on depositors' accounts offered under a program where the holding company advises account holders of the available amount of overdraft protection, for example, when accounts are opened or on depositors' account statements or ATM receipts.
(8) The holding company's own takedown in securities underwriting transactions.
(9) Revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements, which are facilities under which a borrower can issue on a revolving basis short-term paper in its own name, but for which the underwriting holding company has a legally binding commitment either to purchase any notes the borrower is unable to sell by the rollover date or to advance funds to the borrower.

Exclude forward contracts and other commitments that meet the definition of a derivative and must be accounted for in accordance with ASC Topic 815, Derivatives and Hedging (formerly Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended). Include the amount (not the fair value) of the unused portions of loan commitments that do not meet the definition of a derivative that the holding company has elected to report at fair value under a fair value option. Also include forward contracts that do not meet the definition of a derivative.

The unused portions of commitments are to be reported in the appropriate subitem regardless of whether they contain "material adverse change" clauses or other provisions that are intended to relieve the issuer of its funding obligations under certain conditions and regardless of whether they are unconditionally cancelable at any time.

In the case of commitments for syndicated loans, report only the holding company's proportional share of the commitment.

For purposes of reporting the unused portions of revolving asset-based lending commitments, the commitment is defined as the amount a holding company is obligated to fund — as of the report date — based on the contractually agreed upon terms. In the case of revolving asset-based lending, the unused portions of such commitments should be measured as the difference between (a) the lesser of the contractual borrowing base (i.e., eligible collateral times the advance rate) or the note commitment limit, and (b) the sum of outstanding loans and letters of credit under the commitment. The note commitment limit is the overall maximum loan amount beyond which the holding company will not advance funds regardless of the amount of collateral posted. This definition of "commitment" is applicable only to revolving asset-based lending, which is a specialized form of secured lending in which a borrower uses current assets (e.g., accounts receivable and inventory) as collateral for a loan. The loan is structured so that the amount of credit is limited by the value of the collateral.

Include letters of credit related to:
(1) Revolving, open-end loans secured by 1–4 family residential properties, e.g., home equity lines.
(2) Credit card lines, including unused consumer credit card lines and all other types of credit card lines.
(3) Commitments to fund commercial real estate, construction, and land development loans secured by real estate.
(4) Commitments to fund commercial real estate, construction, and land development loans not secured by real estate.
(5) Securities underwriting.
(6) Other unused commitments, including unused commercial and industrial loans, loans to financial institutions, and all other unused commitments.

18(a) **Original maturity of one year or less, excluding asset-backed commercial paper (ABCP) conduits.** Report in column A the unused portion of those unused commitments with an original maturity of one year or less, excluding unused commitments to asset-backed commercial paper (ABCP) conduits, that are subject to the regulatory capital rules.

The unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the holding company have a zero percent credit conversion factor. The unused portion of such commitments should be excluded from this item and items 18(b) and 18(c), but should be reported in Schedule SC-R, Part II, item 19.

"Original maturity" is defined as the length of time between the date a commitment is issued and the date of maturity, or the earliest date on which the holding company (1) is scheduled to (and as a normal practice actually does) review the facility to determine whether or not it should be extended and (2) can unconditionally cancel the commitment.

- *In column B*, report 20 percent of the amount of unused commitments reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of unused eligible liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight*, include the credit equivalent amount of unused eligible liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight*, include the credit equivalent amount of unused eligible liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H or J.

- *In column J–150% risk weight*, include the credit equivalent amount of unused eligible liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- Unused commitments with an original maturity of one year or less, excluding ABCP conduits, that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The credit equivalent amount of those unused commitments described above in the instructions for Column A of this item that represent exposures to foreign depository institutions.

18(b) **Original maturity of one year or less to ABCP conduits.** Report in column A the unused portion of those eligible asset-backed commercial paper (ABCP) liquidity facilities with an original maturity of one year or less that are subject to the regulatory capital rules

Under the regulatory capital rules, the unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the holding company have a zero percent credit conversion factor. The unused portion of such commitments should be excluded from this item and reported in Schedule SC-R, Part II, item 19.

- *In column B*, report 20 percent of the amount of unused commitments reported in column A.

- *In column C–0% risk weight*, include the credit equivalent amount of unused eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight*, include the credit equivalent amount of unused eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight*, include the credit equivalent amount of unused eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J–150% risk weight*, include the credit equivalent amount of eligible ABCP liquidity facilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- Unused commitments with an original maturity of one year or less to ABCP conduits that must be risk-weighted according to the Country Exposure Risk (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instruction for Part II.* Include:
  - The credit equivalent amount of those eligible liquidity facilities described above in the instructions for Column A of this item that represent exposures to foreign depository institutions.

18(c) **<u>Original maturity exceeding one year.</u>** Report in column A the unused portion of those commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions that have an original maturity exceeding one year and are subject to the regulatory capital rules. Also report in column A the face amount of those commercial and similar letters of credit with an original maturity exceeding one year that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules. Under the regulatory capital rules, the unused portion of commitments (facilities) which are unconditionally cancelable (without cause) at any time by the holding company (to the extent permitted under applicable law) have a zero percent credit conversion factor. The unused portion of such commitments should be excluded from this item and reported in Schedule SC-R, Part II, item 19.

Also include in column A all revolving underwriting facilities (RUFs) and note issuance facilities (NIFs), regardless of maturity.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a holding company is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law. Retail credit cards and related plans, including overdraft checking plans and overdraft protection programs, are defined to be short-term commitments that should be converted at zero percent and excluded from this item 18(c) if the holding company has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

For commitments providing for increases in the dollar amount of the commitment, the amount to be converted to an on-balance sheet credit equivalent amount and risk weighted is the maximum dollar amount that the holding company is obligated to advance at any time during the life of the commitment. This includes seasonal commitments where the dollar amount of the commitment increases during the customer's peak business period. In addition, this risk-based capital treatment applies to long-term commitments that contain short-term options which, for a fee, allow the customer to increase the dollar amount of the commitment. Until the short-term option has expired, the reporting holding company must convert and risk weight the amount which it is obligated to lend if the option is exercised. After the expiration of a short-term option which has not been exercised, the unused portion of the original amount of the commitment is to be used in the credit conversion process.

- *In column B*, report 50 percent of the amount of unused commitments and the face amount of commercial and similar letters of credit reported in column A. Note that unused commitments that qualify as securitization exposures as defined in §.2 of the regulatory capital rules should be reported as securitization exposures in Schedule SC-R, Part II, item 10

- *In column C–0% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight,* include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above. Include the credit equivalent amount of commitments that have been conveyed to U.S. depository institutions. Include the credit equivalent amount of those commercial and similar letters of credit with an original maturity exceeding one year that have been conveyed to U.S. depository institutions.

- *In column H–50% risk weight*, include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J–150% risk weight*, include the credit equivalent amount of unused commitments and commercial and similar letters of credit to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- Unused commitments and commercial and similar letters of credit with an original maturity exceeding one year that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  - *In column C–0% risk weight; column G–20% risk weight*; *column H–50% risk weight; column I–100% risk weight; column J–150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.* Include:
  - The credit equivalent amount of those unused commitments described above in the instructions for Column A of this item that represent exposures to foreign depository institutions.
  - The credit equivalent amount of those commercial and similar letters of credit with an original maturity exceeding one year that have been conveyed to foreign depository institutions.

19 **Unconditionally cancelable commitments.** Report in column A the unused portion of those unconditionally cancelable commitments that are subject to the regulatory capital rules.

The unused portion of commitments (facilities) that are unconditionally cancelable (without cause) at any time by the holding company (to the extent permitted by applicable law) have a zero percent credit conversion factor. The unused portion of such commitments should be reported in this item in column A.

20 **Over-the-counter derivatives.** Report in column B the credit equivalent amount of over-the-counter (OTC) derivative contracts covered by the regulatory capital rules. Include OTC credit derivative contracts held for trading purposes and subject to the market risk capital rules. Do not include centrally cleared derivative contracts. Do not include OTC derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule SC-R, Part II, item 10.

The credit equivalent amount of an OTC derivative contract to be reported in Column B is the sum of its current credit exposure (as reported in Schedule SC-R, Part II, Memorandum item 1) plus the potential future exposure over the remaining life of the derivative contract (regardless of its current credit exposure, if any), as described in §.34 of the regulatory capital rules. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The potential future credit exposure of a contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate credit conversion factor from the following chart. The notional principal amounts of the reporting holding company's OTC derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Schedule SC-R, Part II, Memorandum items 2(a) through 2(g).

Remaining Maturity	Interest Rate	Foreign exchange rate and gold	Credit (investment grade reference assets)	Credit (non-investment grade reference assets)	Equity	Precious metals (except gold)	Other
One year or less	0.0%	1.0%	5.0%	10.0%	6.0%	7.0%	10.0%
Greater than one year & less than or equal to five years	0.5%	5.0%	5.0%	10.0%	8.0%	7.0%	12.0%
Greater than five years	1.5%	7.5%	5.0%	10.0%	10.0%	8.0%	15.0%

Under the Federal Reserve's regulatory capital rules and for purposes of Schedule SC-R, Part II, the existence of a legally enforceable bilateral netting agreement between the reporting holding company and a counterparty may be taken into consideration when determining both the current credit exposure and the potential future exposure of derivative contracts. For further information on the treatment of bilateral netting agreements covering derivative contracts, refer to the instructions for Schedule SC-R, Part II, Memorandum item 1, and §.34 of the regulatory capital rules issued by the Federal Reserve.

When assigning to OTC derivative exposures to risk weight categories, holding companies can recognize the risk-mitigating effects of financial collateral by using either the simple approach or the collateral haircut approach, as described in §.37 of the regulatory capital rules.

- *In column C–0% risk weight,* include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column F–10% risk weight,* include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 10 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column G–20% risk weight,* include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight,* include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight,* include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above. Also include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J–150% risk weight,* include the credit equivalent amount of over-the-counter derivative contracts with counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

21 **Centrally cleared derivatives.** Report in column B the credit equivalent amount of centrally cleared derivative contracts covered by the regulatory capital rules. Include centrally cleared credit derivative contracts held for trading purposes and subject to the market risk capital rules. Do not include over-the-counter derivative contracts. Do not include centrally cleared derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule SC-R, Part II, item 10.

The credit equivalent amount of a centrally cleared derivative contract is the sum of its current credit exposure (as reported in Schedule SC-R, Memorandum item 1), plus the potential future exposure over the remaining life of the derivative contract, plus the fair value of collateral posted by the clearing member client holding company and held by the central counterparty or a clearing member in a manner that is not bankruptcy remote. The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The potential future credit exposure of a contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate credit conversion factor from the following chart. The notional principal amounts of the reporting holding company's centrally cleared derivatives that are subject to the risk-based capital requirements are reported by remaining maturity in Schedule SC-R, Part II, Memorandum items 3(a) through 3(g).

Remaining Maturity	Interest Rate	Foreign exchange rate and gold	Credit (investment grade reference assets)	Credit (non-investment grade reference assets)	Equity	Precious metals (except gold)	Other
One year or less	0.0%	1.0%	5.0%	10.0%	6.0%	7.0%	10.0%
Greater than one year & less than or equal to five years	0.5%	5.0%	5.0%	10.0%	8.0%	7.0%	12.0%
Greater than five years	1.5%	7.5%	5.0%	10.0%	10.0%	8.0%	15.0%

- *In column C–0% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with central counterparties (CCPs) and counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column D–2% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with Qualified Central Counterparties (QCCPs) where the collateral posted by the holding company to the QCCP or clearing member is subject to an arrangement that prevents any losses to the clearing member client due to the joint default or a concurrent insolvency, liquidation, or receivership proceeding of the clearing member and any other clearing member clients of the clearing member; and the clearing member client holding company has conducted sufficient legal review to conclude with a well-founded basis (and maintains sufficient written documentation of that legal review) that in the event of a legal challenge (including one resulting from default or from liquidation, insolvency, or receivership proceeding) the relevant court and administrative authorities would find the arrangements to be legal, valid, binding and enforceable under the law of the relevant jurisdictions. See the definition of QCCP in §.2 of the regulatory capital rules.

- *In column E–4% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with Qualified Central Counterparties (QCCPs) in all other cases that do not meet the criteria of qualification for a 2% risk weight, as described in §.2 of the regulatory capital rules.

- *In column G–20% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with CCPs and counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column H–50% risk weight*, include the credit equivalent amount of centrally cleared derivative contracts with CCPs and counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

- *In column I–100% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above. Also include the portion of the credit equivalent amount reported in column B that is not included in columns C through H and J.

- *In column J–150% risk weight,* include the credit equivalent amount of centrally cleared derivative contracts with CCPs and counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 150 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule SC-R, Part II, items 1 through 8, above.

Totals

22 **Total assets, derivatives, and off-balance sheet items by risk weight category.** For each of columns C through Q, report the sum of items 10 through 21.

23 **Risk weight factor.**

24 **Risk-weighted assets by risk weight category.** For each of columns C through Q, multiply the amount in item 22 by the risk weight factor specified for that column in item 23.

25 **<u>Risk-weighted assets for purposes of calculating the allowance for loan and lease losses 1.25 percent threshold.</u>** Report the sum of:

- Schedule SC-R, Part II:
  - Items 9(a), 9(b), 9(c), 9(d), and 10, columns R and S; and
  - Item 24, columns C through Q
- LESS: Schedule SC-R, Part I:
  - The portion of item 10(b) composed of "Investments in the institution's own shares to the extent not excluded as part of treasury stock,"
  - The portion of item 10(b) composed of "Reciprocal cross-holdings in the capital of financial institutions in the form of common stock," and
  - Items 11, 13 through 17, 24, and 33
- LESS: Schedule SC-R, Part I
  - Items 6 through 8,
  - The portion of item 10(b) composed of "After-tax gain-on-sale in connection with a securitization exposure," and
  - The portion of item 10(b) composed of "Equity investments in financial subsidiaries."

26 **<u>Not applicable.</u>**

27 **<u>Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve.</u>** Report the sum of item 9(a), 9(b), 9(c), 9(d), and 10, columns R and S; and item 24, columns C through Q.

28 **<u>LESS: Excess allowance for loan and lease losses.</u>** Report the amount, if any, by which the holding company's allowance for loan and lease losses exceeds 1.25 percent of the holding company's ***gross*** risk-weighted assets. The amount to be reported in this item equals Schedule SC-R, item 6, "Allowance for loan and lease losses," less allocated transfer risk reserve plus allowance for credit losses on off-balance sheet credit exposures less Schedule SC-R, item 30(a), "Allowance for loan and lease losses includable in tier 2 capital."

29 **<u>LESS: Allocated transfer risk reserve.</u>** Report the entire amount of any allocated transfer risk reserve (ATRR) the reporting holding company is required to establish and maintain as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K), and in any guidelines, letters, or instructions issued by the agencies. The entire amount of the ATRR equals the ATRR related to loans and leases held for investment plus the ATRR for assets other than loans and leases held for investment.

30 **<u>Total risk-weighted assets.</u>** Report the amount derived by subtracting items 28 and 29 from item 27.

Memoranda

Item No. Caption and Instructions

M1 **Current credit exposure across all derivative contracts covered by the regulatory capital rules.** Report the total current credit exposure amount for all interest rate, foreign exchange rate, gold, credit (investment grade reference assets), credit (non-investment grade reference assets), equity, precious metals (except gold), and other derivative contracts covered by the regulatory capital rules after considering applicable legally enforceable bilateral netting agreements. Holding companies that are subject to Subpart F of the regulatory capital rules should exclude all covered positions subject to these guidelines, except for foreign exchange derivatives that are outside of the trading account. Foreign exchange derivatives that are outside of the trading account and all over-the-counter (OTC) derivatives continue to have a counterparty credit risk capital charge and, therefore, a current credit exposure amount for these derivatives should be reported in this item.

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

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

If a written option contract acts as a financial guarantee that does not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules, then for risk-based capital purposes and the notional amount of the option should be included in Schedule SC-R, Part II, item 17, column A, as part of "All other off-balance sheet liabilities." An example of such a contract occurs when the reporting holding company writes a put option to a second holding company or a bank that has a loan to a third party. The strike price would be the equivalent of the par value of the loan. If the credit quality of the loan deteriorates, thereby reducing the value of the loan to the second holding company or bank, the reporting holding company would be required by the second holding company or bank to take the loan onto its books.

Do not include derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule SC-R, Part II, item 10.

Current credit exposure (sometimes referred to as the replacement cost) is the fair value of a derivative contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero. Current credit exposure should be derived as follows: Determine whether a qualifying master netting agreement, as defined in §.2 of the regulatory capital rules, is in place between the reporting holding company and a counterparty. If such an agreement is in place, the fair values of all applicable derivative contracts with that counterparty that are included in the netting agreement are netted to a single amount.

Next, for all other contracts covered by the regulatory capital rules that have positive fair values, the total of the positive fair values is determined. Then, report in this item the sum of (i) the net positive fair values of applicable derivative contracts subject to qualifying master netting agreements and (ii) the total positive fair values of all other contracts covered by the regulatory capital rules for both over-the-counter and centrally cleared contracts. The current credit exposure reported in this item is a component of the credit equivalent amount of derivative contracts that is to be reported in Schedule SC-R, items 20 or 21, column B, depending on whether the contracts are centrally cleared.

M2 **Notional principal amounts of over-the-counter derivative contracts.** Report in the appropriate subitem and column the notional amount or par value of all over-the-counter derivative contracts, including credit derivatives, that are subject to the regulatory capital rules. Such contracts include swaps, forwards, and purchased options. Do not include over-the-counter derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule SC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.

The notional amount or par value to be reported for an off-balance-sheet derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of $1,000,000 whose terms call for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.)

The notional amount to be reported for an amortizing derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.

For descriptions of "interest rate contracts," "foreign exchange contracts," "commodity and other contracts," and "equity derivative contracts," refer to the instructions for FR Y9-C, Schedule HC-L, item 12. For a description of “credit derivative contracts,” refer to the instructions for FR Y-9C, Schedule HC-L, item 7.

M3 **Notional principal amounts of centrally cleared derivative contracts.** Report in the appropriate subitem and column the notional amount or par value of all centrally cleared derivative contracts, including credit derivatives, that are subject to the regulatory capital rules. Such contracts include swaps, forwards, and purchased options. Do not include centrally cleared derivative contracts that meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules; such derivative contracts must be reported in Schedule SC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C.

The notional amount or par value to be reported for centrally cleared derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of $1,000,000 whose terms call for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.)

The notional amount to be reported for an amortizing derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity.

For descriptions of "interest rate contracts," "foreign exchange contracts," "commodity and other contracts," and "equity derivative contracts," refer to the instructions for FR Y9-C, Schedule HC-L, item 12. For a description of “credit derivative contracts,” refer to the instructions for FR Y9-C, Schedule HC-L, item 7.

2(a) and 3(a) **Interest rate.** Report the remaining maturities of interest rate contracts that are subject to the regulatory capital rules.

2(b) and 3(b) **Foreign exchange rate and gold.** Report the remaining maturities of foreign exchange contracts and the remaining maturities of gold contracts that are subject to the regulatory capital rules.

2(c) and 3(c) **Credit (investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity meets the definition of investment grade as described in §.2 of the regulatory capital rules.

2(d) and 3(d) **Credit (non-investment grade reference asset).** Report the remaining maturities of those credit derivative contracts where the reference entity does not meet the definition of investment grade as described in §.2 of the regulatory capital rules.

2(e) and 3(e) **Equity.** Report the remaining maturities of equity derivative contracts that are subject to the regulatory capital rules.

2(f) and 3(f) **Precious metals (except gold).** Report the remaining maturities of other precious metals contracts that are subject to the regulatory capital rules. Report all silver, platinum, and palladium contracts.

2(g) and 3(g) **Other.** Report the remaining maturities of other derivative contracts that are subject to the regulatory capital rules. For contracts with multiple exchanges of principal, notional amount is determined by multiplying the contractual amount by the number of remaining payments (i.e., exchanges of principal) in the derivative contract.