LINE ITEM INSTRUCTIONS FOR

Trading Assets and Liabilities
Schedule HC-D

General Instructions

Schedule HC-D is to be completed by holding companies with $5 billion or more in total consolidated assets that reported total trading assets of $10 million or more in any of the four preceding calendar quarters. Memorandum items 2 through 10 are to be completed by holding companies with $10 billion or more in total trading assets.

Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as an accommodation to customers, provided that acquiring or taking such positions meets the definition of “trading” in ASC Topic 320, Investments—Debt Securities, and ASC Topic 815, Derivatives and Hedging, and the definition of “trading purposes” in ASC Topic 815.

For purposes of the FR Y-9C report, all debt securities within the scope of ASC Topic 320, Investments—Debt 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 debt securities within the scope of ASC Topic 320) and liabilities (other than deposit liabilities required to be reported on Schedule HC-E) as trading if the holding company applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets and liabilities as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a 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: (a) for market making activities, including such activities as accumulating loans for sale or securitization; (b) to benefit from actual or expected price movements; or (c) to lock in arbitrage profits. When reporting loans classified as trading in Schedule HC-D, holding companies should include only the fair value of the funded portion of the loan in item 6 of this schedule. If the unfunded portion of the loan, if any, is classified as trading (and does not meet the definition of a derivative), the fair value of the commitment to lend should be reported as an “Other trading asset” or an “Other trading liability,” as appropriate, in Schedule HC-D, item 9 or item 13(b), respectively.

Assets, liabilities, and other financial instruments classified as trading shall be consistently valued at fair value as defined by ASC Topic 820, Fair Value Measurement.

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

ASSETS

Line Item 1  U.S. Treasury securities.
Report the total fair value of securities issued by the U.S. Treasury (as defined for Schedule HC-B, item 1, “U.S. Treasury securities”) held for trading.

Line Item 2  U.S. Government agency obligations.
Report the total fair value of all obligations of U.S. Government agencies (as defined for Schedule HC-B, item 2, “U.S. Government agency obligations”) held for trading. Exclude mortgage-backed securities.

Line Item 3  Securities issued by states and political subdivisions in the U.S.
Report the total fair value of all securities issued by states and political subdivisions in the United States (as defined for Schedule HC-B, item 3, “Securities issued by states and political subdivisions in the U.S.”) held for trading.

Line Item 4  Mortgage-backed securities (MBS).
Report in the appropriate subitem the total fair value of all mortgage-backed securities held for trading.

Line Item 4(a)  Residential mortgage pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA.
Report the total fair value of all residential mortgage pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA (as defined for Schedule HC-B, item 4(a)(1), Residential pass-through securities “Guaranteed by GNMA,” and item 4(a)(2), Residential pass-through securities “Issued by FNMA and FHLMC”) held for trading.

Line Item 4(b)  Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored agencies.
Report the total fair value of all other residential mortgage-backed securities issued or guaranteed by non-U.S. Government issuers that are held for trading.

Line Item 4(c)  All other residential MBS.

Line Item 4(d)  Commercial MBS issued or guaranteed by U.S. Government agencies or sponsored agencies.
Report the total fair value of all commercial mortgage-backed securities (as defined for Schedule HC-B, item 4(c), “Commercial MBS”) issued or guaranteed by U.S. Government agencies or U.S. Government-sponsored agencies that are held for trading. Also include commercial mortgage pass-through securities guaranteed by the Small Business Administration.

Line Item 4(e)  All other commercial MBS.
Report the total fair value of all commercial mortgage-backed securities issued or guaranteed by non-U.S. Government issuers that are held for trading.

Line Item 5  Other debt securities:

Line Item 5(a)  Structured financial products.
Report the total fair value of all structured financial products (as defined for Schedule HC-B, item 5(b), “Structured financial products”) held for trading. Include cash, synthetic, or hybrid instruments.

Line Item 5(b)  All other debt securities.
Report the total fair value of all other debt securities (as defined for Schedule HC-B, item 5(a), “Asset-backed securities,” and item 6, “Other debt securities”) held for trading.
Schedule HC-D

Line Item 6  Loans.
Report in the appropriate subitem the total fair value of all loans held for trading. See the Glossary entry for “loan” for further information.

Line Item 6(a)  Loans secured by real estate.
Report the total fair value of loans secured by real estate (as defined for Schedule HC-C, item 1) held for trading.

6(a)(1) Loans secured by 1-4 family residential properties.
Report the total fair value of all open-end and closed-end loans secured by 1-4 family residential properties (as defined for Schedule HC-C, item 1(c)) held for trading.

Include:
(1) Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (as defined for Schedule HC-C, item 1(c)(1)) held for trading.
(2) Closed-end loans secured by first liens on 1-4 family residential properties (as defined for Schedule HC-C, item 1(c)(2)(a)) held for trading.
(3) Closed-end loans secured by junior liens on 1-4 family residential properties (as defined for Schedule HC-C, part I, item 1(c)(2)(b)) held for trading.

6(a)(2) All other loans secured by real estate.
Report the total fair value of all other loans secured by real estate held for trading.

Include:
(1) Construction, land development, and other land loans (as defined for Schedule HC-C, item 1(a)) held for trading.
(2) Loans secured by farmland (as defined for Schedule HC-C, item 1(b)) held for trading.
(3) Loans secured by multifamily (5 or more) residential properties (as defined for Schedule HC-C, item 1(d)) held for trading.
(4) Loans secured by nonfarm nonresidential properties (as defined for Schedule HC-C item 1(e)) held for trading.

Line Item 6(b)  Commercial and industrial loans.
Report the total fair value of commercial and industrial loans (as defined for Schedule HC-C, item 4) held for trading.

Line Item 6(c) Loans to individuals for household, family, and other personal expenditures.
Report the total fair value of all loans to individuals for household, family, and other personal expenditures (as defined for Schedule HC-C, item 6) held for trading.

Include:
(1) All extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards (as defined for Schedule HC-C, item 6(a)) held for trading.
(2) All extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards (as defined for Schedule HC-C, item 6(b)) held for trading.
(3) All loans to individuals for household, family, and other personal expenditures arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use (as defined for Schedule HC-C, item 6(c)) held for trading.
(4) All other loans to individuals for household, family, and other personal expenditures (as defined for Schedule HC-C, item 6(d)) held for trading.

Line Item 6(d)  Other loans.
Report the total fair value of all other loans held for trading that cannot properly be reported in one of the preceding subitems of this item 6. Such loans include “Loans to depository institutions and acceptances of other banks,” “Loans to finance agricultural production and other loans to farmers,” “Loans to foreign govern- ments and official institutions,” “Obligations (other than securities and leases) of states and political subdivisions in the U.S.,” and “Other loans” (as defined for Schedule HC-C, items 2, 3, 7, 8, and 9).

Line Items 7-8  Not applicable.

Item 9  Other trading assets.
Report the total fair value of all trading assets that cannot properly be reported in items 1 through 6. Include
Certificates of Deposit held for trading. Exclude revaluation gains on interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts (report in item 11 below).

**Line Item 10** Not applicable.

**Line Item 11 Derivatives with a positive fair value.**

Report the amount of revaluation gains (i.e., assets) from the “marking to market” of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the “marking to market” of the reporting holding company’s derivative contracts executed with the same counterparty that 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 arrangement) may be reported on a net basis using this item and item 14 below, as appropriate. (For further information, see the Glossary entry for “offsetting.”)

**Line Item 12 Total trading assets.**

Report the sum of items 1 through 11. The amount for this item must equal Schedule HC, item 5, “Trading assets.”

**LIABILITIES**

**Line Item 13(a) Liability for short positions.**

Report the total fair value of the reporting holding company’s liabilities resulting from sales of assets that the reporting holding company does not own (see the Glossary entry for “short position”).

**Line Item 13(a)(1) Equity securities.**

Report the fair value of the reporting holding company’s liabilities resulting from sales of equity securities that the reporting holding company does not own, thereby establishing a short position.

**Line Item 13(a)(2) Debt securities.**

Report the fair value of the reporting holding company’s liabilities resulting from sales of debt securities that the reporting holding company does not own, thereby establishing a short position.

**Line Item 13(a)(3) All other assets.**

Report the fair value of the reporting holding company’s liabilities resulting from sales of all assets other than equity securities or debt securities that the reporting holding company does not own, thereby establishing a short position.

**Line Item 13(b) All other trading liabilities.**

Report the total fair value of all trading liabilities other than the reporting holding company’s liability for short positions. Exclude revaluation losses on interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts (report in item 14 below).

**Line Item 14 Derivatives with a negative fair value.**

Report the amount of revaluation losses (i.e., liabilities) from the “marking to market” of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the “marking to market” of the reporting holding company’s interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts executed with the same counterparty that 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 arrangement) may be reported on a net basis using this item and item 11 above, as appropriate. (For further information, see the Glossary entry for “offsetting.”)

**Line Item 15 Total trading liabilities.**

Report the sum of items 13(a), 13(b), and 14. The amount for this item must equal Schedule HC, item 15, “Trading liabilities.”

**Memoranda**

**Line Item M1 Unpaid principal balance of loans measured at fair value.**

Report in the appropriate subitem the total unpaid principal balance outstanding for all loans held for trading reported in Schedule HC-D, item 6.
Schedule HC-D

**Line Item M1(a) Loans secured by real estate.**
Report the total unpaid principal balance outstanding for all loans secured by real estate (as defined for Schedule HC-C, item 1) held for trading.

**1(a)(1) Loans secured by 1-4 family residential properties.**
Report the total unpaid principal balance outstanding for all loans secured by 1-4 family residential properties held for trading reported in Schedule HC-D, item 6(a)(1).

Include:

1. Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (as defined for Schedule HC-C, item 1(c)(1)) held for trading.
2. Closed-end loans secured by first liens on 1-4 family residential properties (as defined for Schedule HC-C, item 1(c)(2)(a)) held for trading.
3. Closed-end loans secured by junior liens on 1-4 family residential properties (as defined for Schedule HC-C, item 1(c)(2)(b)) held for trading.

**1(a)(2) All other loans secured by real estate.**
Report the total unpaid principal balance outstanding for all other loans secured by real estate held for trading reported in Schedule HC-D, item 6(a)(2).

Include:

1. Construction, land development, and other land loans (as defined for Schedule HC-C, item 1(a)) held for trading.
2. Loans secured by farmland (as defined for Schedule HC-C, item 1(b)) held for trading.
3. Loans secured by multifamily (5 or more) residential properties (as defined for Schedule HC-C, item 1(d)) held for trading.
4. Loans secured by nonfarm nonresidential properties (as defined for Schedule HC-C, item 1(e)) held for trading.

**Line Item M1(b) Commercial and industrial loans.**
Report the total unpaid principal balance outstanding for all commercial and industrial loans held for trading reported in Schedule HC-D, item 6(b).

**Line Item M1(c) Loans to individuals for household, family, and other personal expenditures.**
Report the total unpaid principal balance outstanding for all loans to individuals for household, family, and other personal expenditures held for trading reported in Schedule HC-D, item 6(c).

Include:

1. All extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards (as defined for Schedule HC-C, item 6(a)) held for trading.
2. All extensions of credit to individuals for household, family, and other personal expenditures arising from prearranged overdraft plans and other revolving credit plans not accessed by credit cards (as defined for Schedule HC-C, item 6(b)) held for trading.
3. All consumer loans to individuals for household, family, and other personal expenditures arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use (as defined for Schedule HC-C, item 6(c)) held for trading.
4. All other loans to individuals for household, family, and other personal expenditures (as defined for Schedule HC-C, item 6(d)) held for trading.

**Line Item M1(d) Other loans.**
Report the total unpaid principal balance outstanding for all loans held for trading reported in Schedule HC-D, item 6(d). Such loans include “Loans to depository institutions and acceptances of other banks,” “Loans to finance agricultural production and other loans to farmers,” “Loans to foreign governments and official institutions,” “Obligations (other than securities and leases) of states and political subdivisions in the U.S.,” and “Other loans” (as defined for Schedule HC-C, items 2, 3, 7, 8, and 9).

Note: Memorandum items 2 through 10 are to be completed by holding companies with $10 billion or more in total trading assets.

**Line Item M2 Loans measured at fair value that are past due 90 days or more.**
Report in the appropriate subitem the total fair value and unpaid principal balance of all loans held for trading.
included in Schedule HC-D, items 6(a) through 6(d), that are past due 90 days or more as of the report date.

**Line Item M2(a)  Fair value.**
Report the total fair value of all loans held for trading included in Schedule HC-D, items 6(a) through 6(d), that are past due 90 days or more as of the report date.

**Line Item M2(b)  Unpaid principal balance.**
Report the total unpaid principal balance of all loans held for trading included in Schedule HC-D, items 6(a) through 6(d), that are past due 90 days or more as of the report date.

**Line Item M3  Structured financial products by underlying collateral or reference assets.**
Report in the appropriate subitem the total fair value of all structured financial products held for trading by the predominant type of collateral or reference assets supporting the product. The sum of Memorandum items 3(a) through 3(g) must equal the sum of Schedule HC-D, item 5(a).

**Line Item M3(a)  Trust preferred securities issued by financial institutions.**
Report the total fair value of structured financial products held for trading that are supported predominantly by trust preferred securities issued by financial institutions.

**Line Item M3(b)  Trust preferred securities issued by real estate investment trusts.**
Report the total fair value of structured financial products held for trading that are supported predominantly by trust preferred securities issued by real estate investment trusts.

**Line Item M3(c)  Corporate and similar loans.**
Report the total fair value of structured financial products held for trading that are supported predominantly by corporate and similar loans. *Exclude* securities backed by loans that are commonly regarded as asset-backed securities rather than collateralized loan obligations in the marketplace (report in Schedule HC-B, item 5(a)).

**Line Item M3(d)  1-4 family residential MBS issued or guaranteed by U.S. government-sponsored enterprises (GSEs).**
Report the total fair value of structured financial products held for trading that are supported predominantly by 1-4 family residential mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises.

**Line Item M3(e)  1-4 family residential MBS not issued or guaranteed by GSEs.**
Report the total fair value of structured financial products held for trading that are supported predominantly by 1-4 family residential mortgage-backed securities not issued or guaranteed by U.S. government-sponsored enterprises.

**Line Item M3(f)  Diversified (mixed) pools of structured financial products.**
Report the total fair value of structured financial products held for trading that are supported predominantly by diversified (mixed) pools of structured financial products. Include such products as CDOs squared and cubed (also known as “pools of pools”).

**Line Item M3(g)  Other collateral or reference assets.**
Report the total fair value of structured financial products held for trading that are supported predominantly by other types of collateral or reference assets not identified above.

**Line Item M4  Pledged trading assets:**

**Line Item M4(a)  Pledged securities.**
Report the total fair value of all securities held for trading included in Schedule HC-D above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the securities are pledged); as performance bonds under futures or forward contracts; or for any other purpose. Include as pledged securities:

1. Securities held for trading that have been “loaned” in securities borrowing/lending transactions that do not qualify as sales under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” as amended).
Schedule HC-D

(2) Securities held for trading by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIEs (the amount of which is also reported in Schedule HC-V, item 1.

(3) Securities held for trading owned by consolidated insurance subsidiaries and held in custodial trusts that are pledged to insurance companies external to the consolidated holding company.

Line Item M4(b) Pledged loans.

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

Line Item M5 Asset-backed securities.

Report in the appropriate subitem the total fair value of all asset-backed securities, including asset-backed commercial paper, held for trading reported in Schedule HC-D, items 4 and 5. For purposes of categorizing asset-backed securities in Schedule HC-D, Memorandum items 5(a) through 5(f), below, each individual asset-backed security should be included in the item that most closely describes the predominant type of asset that collateralizes the security and this categorization should be used consistently over time. For example, an asset-backed security may be collateralized by automobile loans to both individuals and business enterprises. If the prospectus for this asset-backed security or other available information indicates that these automobile loans are predominantly loans to individuals, the security should be reported in Schedule HC-D, Memorandum item 5(c), as being collateralized by automobile loans.

Line Item M5(a) Credit card receivables.

Report the total fair value of all asset-backed securities collateralized by credit card receivables, i.e., extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards as defined for Schedule HC-C, item 6(a).

Line Item M5(b) Home equity lines.

Report the total fair value of all asset-backed securities collateralized by home equity lines of credit, i.e., revolving, open-end lines of credit secured by 1-to-4 family residential properties as defined for Schedule HC-C, item 1(c)(1).

Line Item M5(c) Automobile loans.

Report the total fair value of all asset-backed securities collateralized by automobile loans, i.e., loans to individuals for the purpose of purchasing private passenger vehicles, including minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use. Such loans are a subset of “Other consumer loans,” as defined for Schedule HC-C, item 6(c).

Line Item M5(d) Other consumer loans.

Report the total fair value of all asset-backed securities collateralized by other consumer loans, i.e., loans to individuals for household, family, and other personal expenditures as defined for Schedule HC-C, items 6(b) and 6(c), excluding automobile loans as described in Schedule HC-D, Memorandum item 5(e), above.

Line Item M5(e) Commercial and industrial loans.

Report the total fair value of all asset-backed securities collateralized by commercial and industrial loans, i.e., loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment, as defined for Schedule HC-C, item 4.

Line Item M5(f) Other.

Report the total fair value of all asset-backed securities collateralized by loans other than those included in
Schedule HC-D

Schedule HC-D, Memorandum items 5(a) through 5(e), above, i.e., loans as defined for Schedule HC-C, items 2, 3, and 7 through 9 and lease financing receivables as defined for Schedule HC-C, item 10.

Line Item M6 Not applicable.

Line Item M7 Equity securities.

Report in the appropriate subitem the total fair value of all equity securities held for trading that are included in Schedule HC-D, item 9, above.

Line Item M7(a) Readily determinable fair values.

Report the total fair value of all equity securities held for trading that have readily determinable fair values, as defined by ASC Topic 321, Investments-Equity Securities, regardless of whether such equity securities are within or outside the scope of ASC Topic 321.

Line Item M7(b) Other.

Report the total fair value of all equity securities held for trading not included in Schedule HC-D, Memorandum item 7(a), above.

Line Item M8 Loans pending securitization.

Report the total fair value of all loans included in Schedule HC-D, items 6(a) through 6(d), that are held for securitization purposes. Report such loans in this item only if the holding company expects the securitization transaction to be accounted for as a sale under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities).

Line Item M9(a)(1) Gross positive fair value of commodity contracts.

Report the gross positive fair value of all commodity contracts that the holding company holds for trading purposes. Commodity contracts are contracts that have a return, or a portion of their return, linked to the price of or to an index of precious metals, petroleum, lumber, agricultural products, etc.

Line Item M9(a)(2) Gross fair value of physical commodities held in inventory.

Report the gross fair value of all physical commodities held in inventory that the holding company holds for trading purposes. Report the values as reported in HC-D, item 9, “Other trading assets.”

Line Item M9(b) Other trading assets.

Disclose in Memorandum items 9(b)(1) through 9(b)(3) each component of Schedule HC-D, item 9, “Other trading assets” (other than amounts included in Memoranda items 9(a)(1) and 9(a)(2) above), and the fair value of such component, that is greater than $1,000,000 and exceeds 25 percent of the amount reported in item 9 less amounts reported in Memoranda items 9(a)(1) and 9(a)(2). For each component of other trading assets that exceeds this disclosure threshold, describe the component with a clear but concise caption in Memoranda items 9(b)(1) through 9(b)(3). These descriptions should not exceed 50 characters in length (including spacing between words).

Line Item M10 Other trading liabilities.

Disclose in Memorandum items 10(a) through 10(c) each component of Schedule HC-D, item 13(b), “Other trading liabilities,” and the fair value of such component, that is greater than $1,000,000 and exceeds 25 percent of the amount reported for this item. For each component of other trading liabilities that exceeds this disclosure threshold, describe the component with a clear but concise caption in Memorandum items 10(a) through 10(c). These descriptions should not exceed 50 characters in length (including spacing between words).

Line Item M11 Customer and proprietary broker-dealer reserve bank accounts.

For holding companies with aggregate trading assets and trading liabilities equal to 10 percent or more of quarter-end total assets or $5 billion or more on average for the four most recent quarters, report all customer and proprietary broker-dealer reserve bank account balances¹ that are included in the aggregate trading assets and trading liabilities reported on Schedule HC item 5, Trading Assets, and HC item 15, Trading Liabilities.

¹ Customer and proprietary broker-dealer reserve bank accounts are segregated accounts that are established by a subsidiary of a banking organization that fulfills the requirements of 17 CFR 240.15c3-3 and 17 CFR 1.20.
LINE ITEM INSTRUCTIONS FOR

Regulatory Capital
Schedule HC-R

General Instructions for HC-R

The instructions for Schedule HC-R, Parts I and II, should be read in conjunction with the revised regulatory capital rules issued by the Board on July 2, 2013. 12 CFR Part 217.

Schedule HC-R, Part I Regulatory Capital Components and Ratios

General Instructions for Part I

Schedule HC-R, part I, has two columns for items 11 through 19. Items 11 through 19 in column A is to be completed by non-advanced approaches holding companies (including holding companies subject to Category III capital standards). Items 11 through 19 in column B are to be completed—by advanced approaches holding companies.

1 Category III holding company include institutions, which are not advanced approaches holding companies, that have (1) at least $250 billion in average total consolidated assets or (2) at least $100 billion in average total consolidated assets and at least $75 billion in average total nonbank assets, average weighted short-term wholesale funding; or average off-balance sheet exposure.

2 A holding company that is subject to the advanced approaches capital rule (i.e., an advanced approaches institution, as defined in the Board’s capital rules); (ii) a Category III institution; or a (iv) Category IV institution.

Community Bank Leverage Ratio (CBLR) Framework:

Opt-in to the CBLR framework

A qualifying holding company may opt in to use the CBLR framework. Qualifying holding companies opt into and out of the CBLR framework through their FR Y-9C. A qualifying holding company that opts into the CBLR framework (electing holding company) must complete Schedule HC-R, Part I, items 1 through 36, and can make that election on Schedule HC-R, Part I, item 31.a. A qualifying holding company can opt out of the CBLR framework by completing Schedule HC-R, Part I and Part II, excluding Schedule HC-R, Part I, items 32 through 36. However, the Board may disallow an otherwise qualifying holding company use of the CBLR framework based on the Board’s evaluation of the risk profile of the holding company.

On April 23, 2020, the federal banking agencies published two interim final rules to provide temporary relief to community banking organizations with respect to the CBLR framework; and the final rule became effective November 9, 2020, with no changes to the interim final rules. The final rule provides community banking organizations with a clear and gradual transition, by January 1, 2022, back to the greater than 9 percent leverage ratio qualifying criterion previously established by the agencies. The other qualifying criteria in the CBLR framework have not been modified by the final rule.

A qualifying holding company with a leverage ratio that exceeds the applicable leverage ratio requirement and opts into the CBLR framework shall be considered to have met: (i) the generally applicable risk-based and leverage capital requirements in the agencies’ capital rules; (ii) the capital ratio requirement; (III and IV) considered

depository institution subsidiaries of Category II Institutions are considered Category II institutions respectively.
well capitalized under the Board’s prompt corrective action (PCA) framework; and (iii) any other applicable capital or leverage requirements.3

Transition Provisions — Under the provisions of the transition interim final rule, a holding company may qualify for the CBLR framework if its leverage ratio is greater than 8.5 percent in calendar year 2021, and greater than 9 percent in calendar year 2022 and thereafter, and it meets the qualifying criteria: it has less than $10 billion in total consolidated assets (Schedule HC-R, Part I, item 32); is not part of advanced approach; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule HC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets (Schedule HC-R, Part I, item 34). Also, the two-quarter grace period for a qualifying holding company will take into account the graduated increase in the community bank leverage ratio requirement qualifying criterion. In order to maintain eligibility for the CBLR framework during the transition period, a holding company’s leverage ratio cannot fall more than one percentage point below the community bank leverage ratio requirement qualifying criterion.

### Table 1—Schedule of Community Bank Leverage Ratio Requirements

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Community Bank Leverage Ratio (percent)</th>
<th>Minimum Leverage Ratio under the Applicable Grace Period (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>≥8.5</td>
<td>≥7.5</td>
</tr>
<tr>
<td>2022</td>
<td>≥9.0</td>
<td>≥8.0</td>
</tr>
</tbody>
</table>

Community Bank Leverage Ratio (CBLR) Framework in Calendar Year 2022 and Thereafter

In general, a holding company may qualify for the CBLR framework if its leverage ratio is greater than 9 percent (as reported in Schedule HC-R, Part I, item 31); it has less than $10 billion in total consolidated assets (Schedule HC-R, Part I, item 32); is not an advanced approaches holding company; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule HC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets (Schedule HC-R, Part I, item 34).

Ceasing to Meet the Leverage Ratio Requirement under the CBLR Framework or Failing to Meet any of the Other CBLR Qualifying Criteria

A qualifying holding company that temporarily fails to meet any of the qualifying criteria, including the applicable leverage ratio requirement, generally would still be deemed well-capitalized so long as the holding company maintains a leverage ratio that does not fall more than one percentage point below the leverage ratio requirement qualifying criterion during the two-quarter grace period. At the end of the grace period (see below for an example), the holding company must meet all qualifying criteria to remain in the CBLR framework or otherwise must apply and report under the generally applicable rule. Similarly, a holding company with a leverage ratio that is not within one percentage point of the leverage ratio requirement qualifying criterion under the CBLR framework is not eligible for the grace period and must comply with the generally applicable rule, by completing all of Schedule HC-R, Parts I and II, as applicable, excluding HC-R, Part I, items 32 through 36.

Under the CBLR framework, the grace period will begin as of the end of the calendar quarter in which the CBLR electing holding company ceases to satisfy any of the qualifying criteria and has a maximum period of two consecutive calendar quarters. For example, if the CBLR electing holding company had met all of the qualifying criteria as of March 31, 2020, but no longer meets one of the qualifying criteria as of May 15, 2020, and still does not meet the criteria as of the end of that quarter, the grace period for such a holding company will begin as of the end of the quarter ending June 30, 2020. The holding company may continue to use the CBLR framework as of September 30, 2020, but will need to comply fully with the generally applicable capital rule (including the associated reporting requirements) as of December 31, 2020, unless the holding company once again meets all qualifying criteria of the CBLR framework, including the leverage criterion, had met all of the qualifying criteria as of March 31, 2020, but before that time.

3. 12 CFR 217 (Board).
If a CBLR electing holding company is in the grace period when the required community bank leverage ratio increases, the holding company would be subject, as of the date of that change, to both the higher community bank leverage ratio requirement and higher grace period leverage ratio requirement. For example, if a CBLR electing holding company that had met all of the qualifying criteria as of September 30, 2020, has a 7.2 percent community bank leverage ratio (but meets all of the other qualifying criteria) as of December 31, 2020, the grace period for such an holding company will begin as of the end of the fourth quarter of 2020. The holding company may continue to use the CBLR framework as of March 31, 2021, if the holding company has a leverage ratio of greater than 7.5 percent, and will need to comply fully with the generally applicable capital rule (including the associated Schedule HC-R reporting requirements) as of June 30, 2021, unless the holding company has a leverage ratio of greater than 8.5 percent (and meets all of the other qualifying criteria) by that date. In this example, if the holding company has a leverage ratio equal to or less than 7.5 percent as of March 31, 2021, it would not be eligible to use the CBLR framework and would be subject immediately to the requirements of the generally applicable capital rule.

3-Year and 5-Year 2020 CECL Transition Provisions

In 2019, the federal banking agencies issued a final rule that, among other provisions, revised the agencies’ regulatory capital rule and included a transition option that allows holding companies to phase in over a 3-year transition period the day-one effects of adopting the current expected credit losses methodology (CECL) on their regulatory capital ratios (2019 CECL rule).

In 2020, the agencies issued a final rule that provides holding companies that implement CECL during the 2020 calendar year the option to delay for two years an estimate of CECL’s effect on regulatory capital, relative to the incurred loss methodology’s effect on regulatory capital, followed by a 3-year transition period, thereby resulting in a 5-year transition period (2020 CECL rule).

Eligibility for, and Transition Period under, the 3-Year CECL Transition

A holding company is eligible to use the 3-Year CECL transition provision if it experiences a reduction in retained earnings due to CECL adoption as of the beginning of the fiscal year in which the holding company adopts CECL. The transition period under the 3-year CECL transition provision means the three-year period beginning the first day of the fiscal year in which a holding company adopts CECL and reflects CECL in its first FR Y-9C filed after that date.

A holding company that is eligible to use the 3-year CECL transition provision may elect to phase in the regulatory capital impact of adopting CECL over a 3-year transition period (a 3-year CECL electing holding company). A 3-year CECL electing holding company is required to begin applying the 3-year CECL transition provision as of the electing holding company’s CECL adoption date. A 3-year CECL electing holding company must indicate in Schedule HC-R, Part I, item 2.a, its election to use the 3-year CECL transition provision and must report the transitional amounts, as defined below and as applicable, in the affected items of Schedule HC-R, adjusted for the transition provisions, beginning in the FR Y-9C for the quarter in which the holding company first reports its credit loss allowances as measured under CECL.

A holding company that does not elect to use the 3-year CECL transition provision in the FR Y-9C for the quarter in which it first reports its credit loss allowances as measured under CECL is not permitted to make an election in subsequent reporting periods and is required to reflect the full effect of CECL on its regulatory capital ratios beginning as of the holding company’s CECL adoption date.

A holding company that initially elects to use the 3-year CECL transition provision, but opts out of this transition provision in a subsequent reporting period, is not permitted to resume using the 3-year CECL transition provision at a later date within the 3-year transition period. A holding company may opt out of applying the transition provision by reflecting the full impact of CECL on regulatory capital in FR Y-9C Schedule HC-R.

Eligibility for the 5-Year 2020 CECL Transition

A holding company is eligible to use the 5-Year 2020 CECL transition provision if it adopts CECL under U.S. GAAP as of the first day of a fiscal year that begins during the 2020 calendar year and:

1. Reports a decrease in retained earnings immediately upon adoption of CECL; or
2. Would report a positive modified CECL transitional amount (as defined below) in any quarter ending in 2020 after adopting CECL.
A holding company must indicate in Schedule HC-R, Part I, item 2.a, its election to use the 5-year 2020 CECL transition provision in calendar year 2020 in the first FR Y-9C filed after the holding company adopts CECL or the same FR Y-9C in which the holding company first reports a positive modified CECL transitional amount for any calendar quarter ending in 2020 (5-year CECL electing holding company).

Even if a holding company elects to use the 5-Year 2020 CECL transition provision, the holding company may only reflect the regulatory capital adjustments set forth in the 2020 CECL rule in the quarter or quarters in which the holding company implements CECL for regulatory reporting purposes. A holding company that has elected the 5-year 2020 CECL transition provision, but would not report a positive modified CECL transitional amount in a particular quarter, is not required to make the adjustments in FR Y-9C Schedule HC-R in that quarter.

Transition Period under the 5-Year 2020 CECL Transition—Beginning with the earlier of:

1. The first quarter of the fiscal year in which a holding company was required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020), or
2. The first day of a fiscal year that begins in the 2020 calendar year in which the holding company files the FR Y-9C reflecting CECL, and for the subsequent 19 quarters (for a total of 20 quarters or the five-year transition period), a holding company is permitted to make the adjustments described below to amounts used in calculating regulatory capital. If a holding company temporarily ceases using CECL during this period (i.e., due to election of Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)\(^4\)), the holding company may not reflect regulatory capital adjustments for any quarter (during the first 8 quarters) in which it did not implement CECL, but it would be allowed to apply the transition in subsequent quarters when the holding company uses CECL. However, a holding company that has elected the transition, but does not apply it in any quarter, does not receive any extension of the transition period.

Example 1: A holding company was required to adopt CECL on January 1, 2020. This holding company, however, delays adoption of CECL under Section 4014 of the CARES Act until July 1, 2020, and elects to use the 5-Year 2020 CECL transition provision. This holding company’s transition period begins on January 1, 2020, despite not adopting CECL until July 1, 2020. As such, on July 1, 2020, this holding company would have 18 quarters,\(^5\) including the quarter of adoption, remaining in its transition period.

Example 2: A holding company was required to adopt CECL on October 1, 2020, and elects to use the 5-Year 2020 CECL transition provision. This holding company does not delay adoption of CECL under Section 4014 of the CARES Act. This holding company’s transition period begins on October 1, 2020. As such, on October 1, 2020, this holding company would have 20 quarters, including the quarter of adoption, remaining in its transition period.

For the first 8 quarters after the start of its transition period, a holding company is permitted to make an adjustment of 100 percent of the transitional items calculated below for each quarter in which the holding company applies CECL. Beginning with the ninth quarter of the transition period, the holding company phases out the cumulative adjustment as calculated at the end of the eighth quarter (i.e., the first two years of the 5-Year 2020 CECL transition provision) over the following 12 quarters as follows: 75 percent adjustment in quarters 9-12 (i.e., Year three); 50 percent adjustment in quarters 13-16 (i.e., Year four); and 25 percent adjustment in quarters 17-20 (i.e., Year five).

Definitions - Holding companies that elect either the 3-year CECL transition provision or the 5-year 2020 CECL transition provision must calculate the following amounts, as applicable. AACL refers to Adjusted Allowances for Credit Losses and ALLL refers to the Allowance for Loan and Lease Losses, both as defined in the regulatory capital rule 12 CFR 217.2 (Board).

- **CECL transitional amount** means the difference, net of any deferred tax assets (DTAs), in the amount of a

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\(^4\) Section 4014 allows a holding company to delay the adoption of Accounting Standards Update No. 2016-13, “Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments” (ASU 2016-13), i.e., CECL, until the earlier of (1) December 31, 2020, or (2) the termination of the national emergency concerning the coronavirus disease declared by the President on March 13, 2020, under the National Emergencies Act.

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\(^5\) Six quarters of the initial transition followed by 12 quarters of the phase-out of the transition.
Schedule HC-R
holding company’s retained earnings as of the beginning of the fiscal year in which the holding company adopts CECL from the amount of the holding company’s retained earnings as of the closing of the fiscal yearend immediately prior to the holding company’s adoption of CECL.

• **DTA transitional amount** means the difference in the amount of a holding company’s DTAs arising from temporary differences as of the beginning of the fiscal year in which the holding company adopts CECL from the amount of the holding company’s DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the holding company’s adoption of CECL.

• **AACL transitional amount** means the difference in the amount of a holding company’s AACL as of the beginning of the fiscal year in which the holding company adopts CECL and the amount of the holding company’s ALLL as of the closing of the fiscal year-end immediately prior to the holding company’s adoption of CECL.

• **Eligible credit reserves transitional amount** means the difference in the amount of an advanced approaches holding company’s eligible credit reserves as of the beginning of the fiscal year in which the holding company adopts CECL from the amount of the holding company’s eligible credit reserves as of the closing of the fiscal year-end immediately prior to the holding company’s adoption of CECL.

In addition, holding companies that elect the 5-year 2020 CECL transition provision must calculate the following amounts:

• **Modified CECL transitional amount** means:
  
  – During the first two years of the transition period, the difference between the AACL as reported in the most recent FR Y-9C, and the AACL as of the beginning of the fiscal year in which the holding company adopts CECL, multiplied by 0.25, plus the CECL transitional amount, and

  – During the last three years of the transition period, the difference between the AACL as reported in the FR Y-9C at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the holding company adopts CECL, multiplied by 0.25, plus the AACL transitional amount.

A 3-year or 5-year CECL electing advanced approaches holding company (1) that has completed the parallel run process and has received notification from the Board of the regulatory capital rules, (2) whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and (3) would have an increase in common equity tier 1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount or modified CECL transitional amount, as applicable, must decrease its CECL transitional amount or modified CECL transitional amount, as applicable, by its DTA transitional amount.

**Example and a Worksheet Calculation for the 3-year CECL Transition Provision:**

**Assumptions:**

• For example, consider a holding company that elects to apply the 3-year CECL transition and has a CECL effective date of January 1, 2020, and a 21 percent tax rate.

• On the closing balance sheet date immediately prior to adopting CECL (i.e., December 31, 2019), the 3-year CECL electing holding company has $10 million in retained earnings and $1 million in the allowance for loan and lease losses. On the opening balance sheet date immediately after adopting CECL (i.e., January 1, 2020), the 3-year CECL electing holding company has $1.2 million in allowances for credit losses (ACL), which also equals $1.2 million of AACL, as defined in the regulatory capital rules.
The 3-year CECL electing holding company recognizes the effect of the adoption of CECL as of January 1, 2020, by recording an increase in its ACL of $200,000 (credit), with an offsetting increase in temporary difference DTAs of $42,000 (debit) and a reduction in beginning retained earnings of $158,000 (debit).

For each of the quarterly reporting periods in year 1 of the transition period (i.e., 2020), the 3-year CECL electing holding company increases both retained earnings and average total consolidated assets by $118,500 ($158,000 x 75 percent), decreases temporary difference DTAs by $31,500 ($42,000 x 75 percent), and decreases AACL by $150,000 ($200,000 x 75 percent) for purposes of calculating its regulatory capital ratios. The remainder of the 3-year CECL transition provision of the 3-year CECL electing holding company is transitioned into regulatory capital according to the schedule provided in Table 2 below.

Example of Application of the 5-Year CECL Transition Provision for Third Quarter 2020

As an example, assume a holding company is required under U.S. GAAP to adopt CECL on January 1, 2020. This holding company chose not to delay adoption of CECL for FR Y-9C purposes under the provisions of Section 4014 of the CARES Act, and elected to use the 5-year 2020 CECL transition provision in the March 31, 2020, FR Y-9C. This holding company’s 5-year 2020 CECL transition period begins on January 1, 2020.

The holding company’s December 31, 2019, FR Y-9C reflected the following amounts:

- ALLL: $120
- Temporary Difference DTAs: $20
- Retained earnings: $200
- Eligible credit reserves (advanced approaches holding companies approach only): $110

On January 1, 2020, the holding company adopted CECL and reflected the following amounts:

- AACL: $150
- AACL transitional amount = $150 - $120 = $30 (AACL on 1/1/20 – ALLL on 12/31/19)
- Temporary difference DTAs: $30
- DTA transitional amount = $30 - $20 = $10 (DTAs on 1/1/20 – DTAs on 12/31/19)
- Retained earnings: $180
- CECL transitional amount = $200 - $180 = $20 (Retained earnings on 12/31/19 – retained earnings on 1/1/20)
- Eligible credit reserves (advanced approaches holding companies approach only): $140
- Eligible credit reserves transitional amount (advanced approaches holding companies approach only) = $140 – $110 = $30

Table 2 - Example of a 3-year CECL Transition Provision Schedule

<table>
<thead>
<tr>
<th>Dollar amounts in thousands</th>
<th>Transitional Amounts</th>
<th>Transition Amounts Applicable during Each Year of the 3-Year Transition Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Year 1 at 75%</td>
</tr>
<tr>
<td></td>
<td>Column A</td>
<td>Column B</td>
</tr>
<tr>
<td>1. Increase retained earnings and average total consolidated assets by the CECL transitional amount</td>
<td>CECL transitional amount = $158</td>
<td>$118.50</td>
</tr>
<tr>
<td>2. Decrease temporary difference DTAs by the DTA transitional amount</td>
<td>DTA transitional amount = $42</td>
<td>$31.50</td>
</tr>
<tr>
<td>3. Decrease AACL by the AACL transitional amount</td>
<td>AACL transitional amount = $200</td>
<td>$150</td>
</tr>
</tbody>
</table>
Schedule HC-R

(Eligible credit reserves on 1/1/20 — eligible credit reserves on 12/31/19)

On September 30, 2020, the holding company reflected the following amounts:

- **AACL**: $170
- **Modified AACL transitional amount** = ($170-$150)*0.25 + $30 = $35
  (AACL on 9/30/20 – AACL on 1/1/20)*0.25 + AACL transitional amount)
- **Modified CECL transitional amount** = ($170-$150)*0.25 + $20 = $25
  (AACL on 9/30/20 – AACL on 1/1/20)*0.25 + CECL transitional amount)

The holding company would adjust the following items in its September 30, 2020, FR Y-9C, Schedule HC-R:

- **Part I, Item 2 (Retained earnings)**: Add $25 (modified CECL transitional amount)
- **Part I, Item 15.a or 15.b, as applicable (temporary difference DTAs)**: Subtract $10 (DTA transitional amount) when calculating temporary difference DTAs subject to deduction
- **Part I, Item 27 (Average total consolidated assets)**: Add $25 (modified CECL transitional amount)

A holding company that is not electing the CBLR framework in its September 30, 2020, FR Y-9C, would make these additional Schedule HC-R adjustments:

- **Part I, Item 40.a (Allowances in tier 2 capital)**: Subtract $35 (modified AACL transitional amount)
- **Part II, Item 8 (All other assets)**: Subtract $10 (DTA transitional amount)

A holding company subject to the supplementary leverage ratio (advanced approaches and Category III holding companies) would make this additional Schedule HC-R adjustment in its September 30, 2020, FR Y-9C:

- **Part I, Item 53 (Total leverage exposure for SLR)**: Add $25 (modified CECL transitional amount)

A holding company subject to the advanced approaches capital rule that has exited parallel run would make this additional Schedule HC-R adjustment in its September 30, 2020, FR Y-9C:

- **Part I, Item 40.b (Eligible credit reserves)**: Deduct $30 (eligible credit reserves transitional amount)

Advanced approaches holding companies may use the amounts reported in Schedule HC-R, Part I, to complete FFIEC 101, Schedule A, as applicable. As described in the General Instructions for FFIEC 101, a holding company must begin reporting on the FFIEC 101, Schedule A, except for a few specific line items, at the end of the quarter after the quarter in which a holding company triggers one of the threshold criteria for applying the advanced approaches rule or elects to use the advanced approaches (an opt-in holding company). And it must begin reporting at the end of the remaining schedules of the FFIEC 101 at the end of the first quarter in which it has begun its parallel run period.

Advanced approaches holding companies must continue to file Schedule HC-R, Regulatory Capital, as well as the FFIEC 101.

SLHCs: The revised regulatory capital rules apply to top-tier SLHCs that are not substantially engaged in insurance or commercial activities (covered SLHCs).

A top-tier SLHC is deemed to be substantially engaged in insurance activities (insurance SLHC) if (i) the top-tier SLHC is an insurance underwriting company; or (ii) as of June 30 of the previous calendar year, it held 25 percent or more of its total consolidated assets in subsidiaries that are insurance underwriting companies (other than assets associated with insurance for credit risk). For purposes of determining the 25 percent threshold, the SLHC must calculate its total consolidated assets in accordance with generally accepted accounting principles (GAAP), or if the SLHC does not calculate its total consolidated assets under GAAP for any regulatory purpose (including compliance with applicable securities laws), the SLHC may estimate its total consolidated assets, subject to review and adjustment by the Board. Thus, insurance SLHCs are not required to complete Schedule HC-R.

6. A holding company is deemed to have elected to use the advanced approaches rule on the date that the Board receives from the holding company a board-approved implementation plan pursuant to section 121(b)(2) of the revised regulatory capital rules. After that date, in addition to being required to report on the FFIEC 101, Schedule A, the holding company may no longer apply the AOCl opt-out election in section 22(b)(2) of the regulatory capital rules and it becomes subject to the supplementary leverage ratio in section 10(c)(4).

7. Insurance underwriting company means an insurance company as defined in section 201 of the Dodd-Frank Act (12 U.S.C. 5381) that engages in insurance underwriting activities.

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HC-R-7
Schedule HC-R

Schedule HC-R, even if they complete other schedules of the FR Y-9C.

A top-tier SLHC is deemed to be substantially engaged in commercial activities (commercial SLHC) if (i) the top-tier SLHC is a grandfathered unitary SLHC (as defined in section 10(c)(9)(A) of HOLA) and (ii) as of June 30 of the previous calendar year, it derived 50 percent or more of its total consolidated assets or 50 percent of its total revenues on an enterprise-wide basis (as calculated under GAAP) from activities that are not financial in nature under section 4(k) of the Bank Holding Company Act (12 U.S.C. 1842(k)).

Item Instructions for Schedule HC-R, Part 1

Common Equity Tier 1 Capital

Line Item 1 Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares.

Report the sum of Schedule HC, items 24, 25 and item 26(c) as follows:

(1) Common stock: report the amount of common stock reported in Schedule HC, item 24, provided it meets the criteria for common equity tier 1 capital based on the revised regulatory capital rules of the Board. Include capital instruments issued by mutual banking organizations that meet the criteria for common equity tier 1 capital.

(2) Related surplus: adjust the amount reported in Schedule HC, item 25 as follows: include the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date; exclude adjustments arising from treasury stock transactions.

(3) Treasury stock, unearned ESOP shares, and any other contra-equity components: report the amount of contra-equity components reported as negative amounts in Schedule HC, item 26(c). Because contra-equity components reduce equity capital, the amount reported in Schedule HC, item 26(c), is a negative amount.

Line Item 2 Retained earnings.

Report the amount of the holding company’s retained earnings as reported in Schedule HC, item 26(a).

A holding company that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing holding company) should also include its applicable CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing holding company should increase retained earnings by 75 percent of its CECL transitional amount during the first year of the transition period, 50 percent of its CECL transitional amount during the second year of the transition period, and 25 percent of its CECL transitional amount during the third year of the transition period.

A holding company that has adopted ASU 2016-13, and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing holding company) should also include in this item its applicable modified CECL transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing holding company should increase retained earnings by 100 percent of its modified CECL transitional amount during the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period.

A 3-year or 5-year CECL electing advanced approaches holding company (1) that has completed the parallel run process and has received notification from the Board pursuant to section 121(d) under subpart E of the regulatory capital rules, (2) whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and (3) would have an increase in CET1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount or modified CECL transitional amount, as applicable, must decrease its CECL transitional amount or modified CECL transitional amount, as applicable, by its DTA transitional amount.

For further information on the 3-year and 5-year CECL transition provisions, see the General Instructions for Schedule HC-R, Part I.
Schedule HC-R

2.a To be completed only by holding companies that have adopted ASU 2016-13: Does your institution have a CECL transition election in effect as of the quarter-end report date? A holding company may make a one-time election to use the 3-year CECL transition provision (a 3-year CECL electing holding company) or the 5-year 2020 CECL transition provision (a 5-year CECL electing holding company), as described in section 301 of the regulatory capital rules, and in the General Instructions for Schedule HC-R, Part I.

A holding company that is required to use CECL for regulatory reporting purposes and intends to use the 3-year or the 5-year 2020 CECL transition provision must elect to use the 3-year or the 5-year 2020 CECL transition provision in the first FR Y-9C report the holding company files that includes CECL after the holding company is required to use CECL for regulatory reporting purposes. A holding company that does not elect to use the 3-year or the 5-year 2020 CECL transition provision in the quarter that it first reports its credit loss allowances in as of the first FR Y-9C report as measured under the holding company files that includes CECL after the holding company adopted CECL may use the 5-year 2020 CECL transition, but is not reporting any adjustments for the current quarter because it does not have a positive Modified CECL Transitional Amount in the current quarter, should still report “2” for this item.

Each holding company would complete Schedule HC-R, Part I, item 2(a) beginning in the FR Y-9C report for its first reporting period under CECL and in each subsequent FR Y-9C report thereafter until Schedule HC-R, Part I, item 2(a) is removed from the report. Effective December 31, 2026, the Board proposes to remove item 2(a) from Schedule HC-R, Part I, because the optional 3-year and 5-year 2020 transition periods will have ended for all electing holding companies. If an individual electing holding company’s 3-year or 5-year transition period ends before Schedule HC-R, Part I, item 2(a) is removed (e.g., its transition period ends December 31, 2022), the holding company would report in item 2(a) that its CECL transition election is no longer in effect.

Line Item 3 Accumulated other comprehensive income (AOCI).

Report the amount of AOCI as reported under U.S. generally accepted accounting principles (GAAP) that is included in Schedule HC, item 26.b.

Line Item 3(a) AOCI opt-out election.

(i) All holding companies, except advanced approaches holding companies

A holding company that is not an advanced approaches holding company may make a one-time election to become subject to the AOCI-related adjustments in Schedule HC-R, Part I, items 9(a) through 9(e). That is, such a holding company may opt-out of the requirement to include most components of AOCI in common equity tier 1 capital (with the exception of accumulated net gains and losses on cash flow hedges related to items that are not recognized at fair value on the balance sheet). A holding company that makes an AOCI opt-out election must enter “1” for “Yes” in Schedule HC-R, Part I, item 3(a).

A holding company (except an advanced approaches holding company) in existence as of March 31, 2015,
Schedule HC-R

and is not subject to the expanded risk-based approach.

made its AOCI opt-out election on the holding company’s March 31, 2015, FR Y-9C. For a holding company that comes into existence after March 31, 2015, or becomes a non-advanced approaches holding company, the holding company must make its AOCI opt-out election on the holding company’s first FR Y-9C report. After a holding company initially makes its AOCI opt-out election, the holding company must report its election in each quarterly FRY-9C report thereafter. Each of the holding company’s depository institution subsidiaries, if any, must elect the same option as the holding company. With prior notice to the Board, a holding company resulting from a merger, acquisition, or purchase transaction may make a new AOCI opt-out election, as described in section 22(b)(2) of the revised regulatory capital rules.

(ii) Holding companies that do not make an AOCI opt-out election and advanced approaches holding companies:

A holding company that does not make an AOCI opt-out election and enters “0” for “No” in Schedule HC-R, Part I, item 3(a) and all advanced approaches holding companies subject to the AOCI-related adjustment under Schedule HC-R, Part I, item 9(f),

Line Item 4 Common equity tier 1 minority interest includable in common equity tier 1 capital.

Report the aggregate amount of common equity tier 1 minority interest, calculated as described below and in section 21 of the revised regulatory capital rules. Common equity tier 1 minority interest is the portion of equity in a reporting holding company’s subsidiary not attributable, directly or indirectly, to the parent holding company. Note that a holding company may only include common equity tier 1 minority interest if: (a) the subsidiary is a depository institution or a foreign bank; and (b) the capital instruments issued by the subsidiary meet all of the criteria for common equity tier 1 capital (qualifying common equity tier 1 capital instruments).

(4.i) All holding companies, except advanced approaches holding companies

In order to complete this item 4, holding companies need to complete Lines 6 to 10 of HC-R, Part I. Non-advanced approaches are able to include common equity tier 1 minority interest up to 10 percent of the parent holding company’s common equity tier 1 capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent holding company described in sections 22(a) and (b) of the regulatory capital rules.

Example and a worksheet calculation for all holding companies except holding companies subject to the expanded risk-based approach:

Calculate common equity tier 1 minority interest includable at the reporting holding company’s level as follows:

Assumptions:

• The parent holding company’s common equity tier 1 capital is $120.
• The subsidiary’s common equity tier 1 capital is $30.
• The subsidiary’s common equity tier 1 minority interest (that is, owned by minority shareholders) is $3.

In general, the minority interest limitation applies only if a subsidiary has a surplus common equity tier 1 capital (that is, in excess of the subsidiary’s minimum capital requirements and the applicable capital conservation buffer).

The following example and a worksheet is intended to assist holding companies in determining the amount of common equity tier 1 minority interest includable in common equity tier 1 capital.

Example: For each consolidated subsidiary that is a depository institution or a foreign bank, calculate common equity tier 1 minority interest includable at the holding company level as follows:

Assumptions:

• For this example, assume that risk-weighted assets of the holding company are $1,800 (that is, the same as the risk-weighted assets of the subsidiary described in the example above).
• The subsidiary’s common equity tier 1 capital is $80;
• The subsidiary’s common equity tier 1 minority interest (that is, owned by minority shareholders) is $24.

(4.ii) Advanced approaches holding companies worksheet
Schedule HC-R

(4.i) **All holding companies, except advanced approaches holding companies worksheet**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Common Equity Tier 1 Capital Elements Before Minority Interest and Adjustments and Deductions = Schedule HC-R, Part I, sum of items 1, 2, and 3</td>
<td>$100</td>
</tr>
<tr>
<td>(2)</td>
<td>Common Equity Tier 1 Capital: Adjustments and Deductions = Schedule HC-R, Part I, sum of items 6, 7, 8, 9.a through 9.f, 10.a, and 10.b</td>
<td>$10</td>
</tr>
<tr>
<td>(3)</td>
<td>Subtract the amount in step (2) from the amount in step (1). This is the base to calculate the 10 percent limitation.</td>
<td>$100 - $10 = $90</td>
</tr>
<tr>
<td>(4)</td>
<td>Multiply step (3) by 10 percent. This is the maximum includable common equity tier 1 minority interest from all subsidiaries.</td>
<td>$90 x 10% = $9</td>
</tr>
<tr>
<td>(5)</td>
<td>Determine the lower of (4) and the total common equity tier 1 minority interest from all subsidiaries. This is the “common equity tier 1 minority interest includable at the reporting holding company’s level” to be included in Schedule HC-R, Part I, item 4.</td>
<td>Minimum of ($9 from step 4) or $12 ($7 + $5) from the assumptions) = $9</td>
</tr>
</tbody>
</table>

(4.ii) **Worksheet for holding companies subject to the expanded risk-based approach worksheet**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Determine the risk-weighted assets of the subsidiary.</td>
<td>$1,000</td>
</tr>
<tr>
<td>(2)</td>
<td>Using the standardized approach, determine the risk-weighted assets of the holding company that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.</td>
<td>$1,000</td>
</tr>
<tr>
<td>(3)</td>
<td>Determine the lower of (1) or (2), and multiply that amount by 7.0 percent.(^9)</td>
<td>$1,000 x 7% = $70</td>
</tr>
<tr>
<td>(4)</td>
<td>Determine the dollar amount of the subsidiary’s common equity tier 1 capital (assumed $80 in this example). If this amount is less than step (3), include common equity tier 1 minority interest (assumed to be $24 in this example) in Schedule HC-R, Part I, item 4. Otherwise, continue to step (5).</td>
<td>$80</td>
</tr>
<tr>
<td>(5)</td>
<td>Subtract the amount in step (3) from the amount in step (4). This is the “surplus common equity tier 1 capital of the subsidiary.”</td>
<td>$80 - $70 = $10</td>
</tr>
<tr>
<td>(6)</td>
<td>Determine the percent of the subsidiary’s common equity tier 1 capital owned by third parties (the minority shareholders).</td>
<td>$24/$80 = 30%</td>
</tr>
<tr>
<td>(7)</td>
<td>Multiply the percentage in step (6) by the dollar amount in step (5). This is the “surplus common equity tier 1 minority interest of the subsidiary,” Subject to the transition provisions below.</td>
<td>30% x $10 = $3</td>
</tr>
<tr>
<td>(8)</td>
<td>Subtract the amount in step (7) from the subsidiary’s common equity tier 1 minority interest.</td>
<td>$24 - $3 = $21</td>
</tr>
</tbody>
</table>

---

9. The percentage multiplier in step (3) is the capital ratio necessary for the depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches holding companies must adjust this percentage to account for all the applicable capital buffers.

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Schedule HC-R September 2020
Schedule HC-R

<table>
<thead>
<tr>
<th>Line Item 5</th>
<th>Common equity tier 1 capital before adjustments and deductions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report the sum of Schedule HC-R, Part I, items 1, 2, 3, and 4.</td>
<td></td>
</tr>
</tbody>
</table>

Common equity tier 1 capital: adjustments and deductions

Note 1: As described in section 22(b) of the revised regulatory capital rules, regulatory adjustments to common equity tier 1 capital must be made net of associated deferred tax effects.

Note 2: As described in section 22(e) of the revised regulatory capital rules, netting of deferred tax liabilities (DTLs) against assets that are subject to deduction is permitted if the following conditions are met:

(i) The DTL is associated with the asset;
(ii) The DTL would be extinguished if the associated asset becomes impaired or is derecognized under GAAP; and
(iii) A DTL can only be netted against a single asset.

The amount of deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances, may be offset by DTLs (that have not been netted against assets subject to deduction) if the following conditions are met:

(i) Only the DTAs and DTLs that relate to taxes levied by the same taxation authority and that are eligible for offsetting by that authority may be offset for purposes of this deduction.
(ii) The amount of DTLs that the holding company nets against DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and against DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances, must be allocated in proportion to the amount of DTAs that arise from net operating loss and tax credit carryforwards (net of any related valuation allowances, but before any offsetting of DTLs) and of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks (net of any related valuation allowances, but before any offsetting of DTLs), respectively.

A holding company may offset DTLs embedded in the carrying value of a leveraged lease portfolio acquired in a business combination (whether accounted for under ASC Topic 840, Leases, or grandfathered and accounted for under ASC Topic 842, Leases, as applicable) that are not recognized under GAAP against DTAs that are subject to section 22(a) of the regulatory capital rules in accordance with section 22(e).

A holding company must net DTLs against assets subject to deduction in a consistent manner from reporting period to reporting period. A holding company may change its DTL netting preference only after obtaining the prior written approval of the Board.

In addition, note that even though certain deductions may be net of associated DTLs, the risk-weighted portion of those items may not be reduced by the associated DTLs.

Line Item 6 LESS: Goodwill net of associated deferred tax liabilities (DTLs).

Report the amount of goodwill included in Schedule HC-M, item 12(b).

However, if the holding company has a DTL that is specifically related to goodwill that it chooses to net against the goodwill, the amount of disallowed goodwill to be reported in this item should be reduced by the amount of the associated DTL.

If an institution subject to the capital deductions requirements under advanced approaches holding company has significant investments in the capital of unconsolidated financial institutions in the form of common stock, the holding company should report in this item goodwill embedded in the valuation of a significant investment in the capital of an unconsolidated financial institution in the form of common stock (embedded goodwill). Such deduction of embedded goodwill would apply to investments accounted for under the equity method. Under GAAP, if there is a difference between the initial cost basis of the investment and the amount of underlying equity in the net assets of
Schedule HC-R

except, Category III and IV institutions subject to the transition provisions in the regulatory capital rule. These institutions complete items 9.a and 9.c through 9.e subject to the transition table below and do not report line item 9.f.

[See Insert 1 for Transition AOCI Adjustment Table]

Category III and IV institutions subject to the transition requirements above should report an amount adjusted by the applicable percentage.

Holding companies that entered “0” for “No” in Schedule HC-R, Part I, item 3(a), must complete Schedule HC-R, Part I, Items 9(a) and 9(c) through 9(e), only.

Line Item 7  LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs.

Report all intangible assets (other than goodwill and MSAs), included in Schedule HC-M, item 12(c), that do not qualify for inclusion in common equity tier 1 capital under the regulatory capital rules. Generally, all purchased credit card relationships (PCCRs), non-mortgage servicing assets, and all other intangibles, reported in Schedule HC-M, item 12(c), do not qualify for inclusion in common equity tier 1 capital and should be included in this item.

However, if the holding company has a DTL that is specifically related to an intangible asset (other than goodwill and MSAs) that it chooses to net against the intangible asset for regulatory capital purposes, the amount of disallowed intangibles to be reported in this item should be reduced by the amount of the associated DTL. Furthermore, a DTL that the holding company chooses to net against the related intangible reported that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and DTAs that arise from temporary differences, net of any related valuation allowances, for regulatory capital purposes.

If the amount reported for other identifiable intangible assets in Schedule HC-M, item 12(c), includes intangible assets that were recorded on the holding company’s balance sheet on or before February 19, 1992, the remaining book value as of the report date of these intangible assets may be excluded from this item.

Line Item 8  LESS: Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs.

Report the amount of DTAs that arise from net operating loss and tax credit carryforwards, net of associated valuation allowances and net of associated DTLs.

Line Item 9  AOCI-related adjustments.

Holding companies that entered “1” for “Yes” in Schedule HC-R, Part I, item 3(a), must complete Schedule HC-R, Part I, Items 9(a) and 9(c) through 9(e), only.

Line Item 9(a)  LESS: Net unrealized gains (losses) on available-for-sale debt securities.

For holding companies that entered “1” for “Yes” in Schedule HC-R, Part I, item 3(a), report the amount of net unrealized gains (losses) on available-for-sale debt securities, net of applicable income taxes, that is included in Schedule HC, item 26(b), “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

For such holding companies, include in this item net unrealized gains (losses) on available-for-sale debt securities reported in Schedule HC-B, items 1 through 6b, columns C and D, and on those assets not reported in Schedule HC-B, that the holding company accounts for like available-for-sale debt securities in accordance with applicable accounting standards (e.g., negotiable certificates of deposit and nonrated industrial development obligations).

Line Item 9(b)  Not applicable.

Line Item 9(c)  LESS: Accumulated net gains (losses) on cash flow hedges.

Report the amount of accumulated net gains (losses) on cash flow hedges, net of applicable income taxes, that is included in Schedule HC, item 26(b), “Accumulated other comprehensive income.” The amount reported in item 9 should include gains (losses) on cash flow hedges that are no longer effective but included in AOCI. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Line Item 9(d)  LESS: Amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans.

Report the amounts recorded in AOCI net of applicable taxes, and included in Schedule HC, item 26(b), “Accumulated other comprehensive income,” resulting from the initial and subsequent application of ASC Subtopic 715-20 to defined benefit postretirement plans (a holding
<table>
<thead>
<tr>
<th>Transition period for reporting purposes</th>
<th>Percentage applicable to transition AOCI adjustment amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2025, report date through June 30, 2026, report date.</td>
<td>75</td>
</tr>
<tr>
<td>September 30, 2026, report date through June 30, 2027, report date.</td>
<td>50</td>
</tr>
<tr>
<td>September 30, 2027, report date through June 30, 2028, report date.</td>
<td>25</td>
</tr>
<tr>
<td>September 30, 2028, report date and thereafter.</td>
<td>0</td>
</tr>
</tbody>
</table>
company may exclude the portion relating to pension assets deducted in Schedule HC-R, Part I, item 10(b)). If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

**Line Item 9(e) LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.**

Report the amount of net unrealized gains (losses) on held-to-maturity securities that is not credit-related, net of applicable taxes and is included in AOCI as reported in Schedule HC, item 26(b), “Accumulated other comprehensive income.” If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

Include (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category, net of applicable taxes and (ii) the unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt and Equity Securities, net of applicable taxes.

**Line Item 9(f)—to be completed only by holding companies that entered “0” for “No” in Schedule HC-R, Part I, item 3(a):**

**LESS: Accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relate to the hedging of items that are not recognized at fair value on the balance sheet.**

Report the amount of accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable income taxes, that relate to the hedging of items that are not recognized at fair value on the balance sheet. If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

**Line Item 10 Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:**

**Line Item 10(a) LESS: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk.**

Report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in the holding company’s own credit risk. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

**Advanced approaches holding companies only: include the credit spread premium over the risk free rate for derivatives that are liabilities.**

**Line Item 10(b) LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions.**

Report the amount of other deductions from (additions to) common equity tier 1 capital that are not included in Schedule HC-R, Part I, items 1 through 9, as described below.

1. **After-tax gain-on-sale in connection with a securitization exposure.**

Include any after-tax gain-on-sale in connection with a securitization exposure. Gain-on-sale means an increase in the equity capital of a holding company resulting from a securitization (other than an increase in equity capital resulting from the holding company’s receipt of cash in connection with the securitization or reporting of a mortgage servicing asset on Schedule HC).

2. **Defined benefit pension fund assets, net of associated DTLs.**

A holding company should include for deduction in Schedule HC-R, Part I, item 10(b) any defined benefit pension fund assets, net of any associated DTLs. With the prior approval of the Board, this deduction is not required for any defined benefit pension fund net asset to the extent the holding company has unrestricted and unfettered access to the assets in that fund. For an insured depository institution, no deduction is required.

A holding company must risk weight any portion of the defined benefit pension fund asset that is not deducted as if the holding company directly holds a proportional ownership share of each exposure in the defined benefit pension fund.

3. **Investments in the holding company’s own shares to the extent not excluded as part of treasury stock.**

Include the holding company’s investments in (including any contractual obligation to purchase) its own common stock instruments, including direct, indirect, and synthetic exposures to such capital instruments (as defined in...
the revised regulatory capital rules), to the extent such capital instruments are not excluded as part of treasury stock, reported in Schedule HC-R, Part I, item 1.

If a holding company already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital elements, it does not need to make such deduction twice.

A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty credit risk and all other criteria in section 22(h) of the revised regulatory capital rules are met.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments.

In addition:

(i) Gross long positions in investments in a holding company’s own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same underlying index;

(ii) Short positions in index securities to hedge long cash or synthetic positions may be decomposed to recognize the hedge; and

(iii) The portion of the index composed of the same underlying exposure that is being hedged may be used to offset the long position only if both the exposure being hedged and the short position in the index are covered positions under the market risk rule, and the hedge is deemed effective by the holding company’s internal control processes which would have been assessed by the Board.

(4) Reciprocal cross-holdings in the capital of financial institutions in the form of common stock.

Include investments in the capital of other financial institutions (in the form of common stock) that the holding company holds reciprocally (this is the corresponding deduction approach). Such reciprocal cross-holdings may result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other’s capital instruments.

(5) Advanced approaches holding companies only that exit parallel run.10

Include the amount of expected credit loss that exceeds the holding company’s eligible credit reserves.

An advanced approaches holding company that has exited parallel run, has adopted Accounting Standards Update No. 2016-13 (ASU 2016-13) on credit losses, and has elected to apply the 3-year CECL transition provision (3-year CECL—electing advanced approaches—holding company) should decrease its eligible credit reserves by the applicable eligible credit reserves transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL—electing advanced approaches holding company should reduce the amount of its eligible credit reserves by 75 percent of its eligible credit reserves transitional amount during the first year of the transition period, 50 percent of its eligible credit reserves transitional amount during the second year of the transition period, and 25 percent of its eligible credit reserves transitional amount during the third year of the transition period.

An advanced approaches holding company that has exited parallel run, has adopted ASU 2016-13, and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL—electing advanced approaches—holding company) should decrease its eligible credit reserves by the applicable eligible credit reserves transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL—electing advanced approaches holding company should reduce the amount of its eligible credit reserves by 100 percent of its eligible credit reserves transitional amount during the first and second years of the transition period, 75 percent of its eligible credit reserves transitional amount during the third year of the transition period, 50 percent of its eligible credit reserves transitional amount during the fourth year of the transition period, and 25 percent of its eligible credit reserves transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision—Third Quarter 2020, in the General Instructions for HC-R, Part I).

10 An advanced approaches holding company that exits the parallel run is an advanced approaches holding company that has completed the parallel run process and received notification from the Federal Reserve pursuant to section 121(d) of subpart E of the revised regulatory capital rules.
Schedule HC-R

Line Item 11 LESS: Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments.

(i) All non-advanced approaches holding companies (Column A)

Not applicable. Proceed to HC-R, Part 1, line 12 to complete the subtotal calculation.

(ii) All advanced approaches holding companies (Column B)

A holding company has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that holding company.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions (including in the form of common stock, additional tier 1, tier 2 capital, and covered debt instruments).</td>
<td>$200</td>
</tr>
<tr>
<td>(2)</td>
<td>Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock.</td>
<td>$100</td>
</tr>
<tr>
<td>(3)</td>
<td>Subtract from Schedule HC-R, Part I, item 5, the amounts in Schedule HC-R, Part I, items 6, 7, 8, 9, and 10.</td>
<td>$1,000 - $0 = $1,000</td>
</tr>
<tr>
<td>(4)</td>
<td>Multiply the amount in step (3) by 10 percent. This is “the 10 percent threshold for non-significant investments.”</td>
<td>$1,000 x 10% = $100</td>
</tr>
<tr>
<td>(5)</td>
<td>If (1) is greater than (4), subtract (4) from (1) and multiply the result by the ratio of (2) divided by (1). Report this amount in this Schedule HC-R, Part I, item 11. If (1) is less than (4), enter zero in this item 11.</td>
<td>Line (1) is greater than line (4); therefore $200 - $100 = $100. Then ($100 x 100/200) = $50. Report $50 in this line item 11.</td>
</tr>
<tr>
<td>(6)</td>
<td>Assign the applicable risk weight to the amount of non-significant investments in the capital of unconsolidated financial institutions that does not exceed the 10 percent threshold for non-significant investments.</td>
<td>Of the $100 in common shares, $50 are deducted in this line item 11. The remaining $50 needs to be included in risk-weighted assets in Schedule HC-R, Part II.*</td>
</tr>
</tbody>
</table>

* In this case (assuming that publicly traded equity exposures do not qualify for a 100 percent risk weigh under section 52(b)(3)(iii) of the regulatory capital rules), $50 x 300% risk weight for publicly traded common shares under section 52(b)(5) of the capital rules = $150 in risk-weighted assets for the portion of common shares in an unconsolidated financial institution that are not deducted. Include this amount in Schedule HC-R, Part II, risk-weighted assets, “All other assets” item.

Example and a worksheet calculation:
Assumptions:

- A holding company has a total of $200 in non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions, of which $100 is in common shares. For this example, all

11. Covered debt instruments is defined in 12 CFR 217.2.
Schedule HC-R
Schedule HC-R

of the $100 in common shares is in the common stock of a publicly traded financial institution.

- Assume the amount reported on Schedule HC-R, Part I, item 5 (common equity tier 1 capital before adjustments and deductions) is $1,000.
- Assume the amounts reported in Schedule HC-R, Part I, items 6 through 9(f), are all $0.

Line Item 12  Subtotal.

(i) All non-advanced approaches holding companies (Column A)


This subtotal will be used in Schedule HC-R, Part I, items 13.a, 14.a, and 15.a, to calculate the amounts of items subject to the 25 percent common equity tier 1 capital threshold deductions (threshold items):

- Investments in the capital of unconsolidated financial institutions, net of DTLs,
- MSAs, net of associated DTLs; and
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs.

(ii) All advanced approaches holding companies (Column B)


This subtotal will be used in Schedule HC-R, Part I, items 13.b, 14.b, 15.b, and 16, to calculate the amounts of items subject to the 10 and 15 percent common equity tier 1 capital threshold deductions (threshold items):

- Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of DTLs,
- MSAs, net of associated DTLs; and
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs.

Note: Item 13.a should only be completed by non-advanced approaches holding companies.

Line Item 13.a LESS: Investments in the capital of unconsolidated financial institutions, net of associated DTLs, that exceed 25 percent of item 12.

Items that are not deducted from the appropriate capital tier, are risk-weighted based on the exposure on HC-R, Part II, except for holding companies under the CBLR framework. Holding companies have the flexibility when deciding which investments in the capital of unconsolidated financial institutions to risk weight and which to deduct.

Report the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs, that exceed the 25 percent common equity tier 1 capital deduction threshold, calculated as follows:

1. Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.

2. If the amount in (1) is greater than 25 percent of Schedule HC-R, Part I, item 12 (Column A), report the difference across Schedule HC-R, Part I, items 13.a, 24 or 43, depending on the tier of capital the investments in the capital of unconsolidated financial institutions qualifies. As mentioned above, the holding company can elect which investments it must deduct and which it must risk weight. Depending on the holding company’s election and the component of capital for which the underlying instrument would qualify will determine if it will be deducted and reported in Schedule HC-R, Part I, item 13.a or be deducted and reported in Schedule HC-R, Part I, item 24 or 43.

3. If the amount in (1) is less than 25 percent of Schedule HC-R, Part I, item 12 (Column A), report zero in this item 13.a.

If the holding company included embedded goodwill in Schedule HC-R, Part I, item 6, to avoid double counting, the holding company may net such embedded goodwill already deducted against the exposure amount of the investment. For example, if a holding company has deducted $10 of goodwill embedded in a $100 investment in the capital of an unconsolidated financial institution, the holding company would be allowed to net such embedded goodwill against the exposure amount of such investment would be the amount that
**Example and a worksheet calculation:**

*Assumptions:*

For this example, assume that a holding company:

- has $20 of total investments in the capital of unconsolidated financial institutions,
- of that $20, $9 are investments in common equity tier 1 capital instruments, $7 are investments in tier 1 capital instruments, and $4 are investments in tier 2 capital instruments,
- has total common equity tier 1 capital subtotal (reported on Part I, line item 12 (Column A) of $60
- has total additional tier 1 capital of $20
- has total tier 2 capital of $3

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing holding company is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing holding company has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing holding company under the generally applicable rule (tier 2 qualifying investments), and the holding company’s total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the holding company is not required to deduct the tier 2 qualifying investments.

**Example for a CBLR electing holding company and a worksheet calculation:**

*Assumptions:*

For example, assume that a holding company:

- has $20 of total investments in the capital of unconsolidated financial institutions,
- of that $20, $15 are investments in tier 1 capital instruments, and $5 are investments in tier 2 capital instruments,
- has total common equity tier 1 capital subtotal (reported in Schedule HC-R, Part I, line item 12 (Column A) of $60

**Note:** Item 13.b should only be completed by advanced holding companies.

**Line Item 13.b LESS: Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.**

A holding company has a significant investment in the capital of an unconsolidated financial institution when it owns more than 10 percent of the issued and outstanding common shares of that institution.

**(13.a) Non-CBLR electing holding company worksheet**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Total investments in the capital of unconsolidated financial institutions</td>
<td>$20</td>
</tr>
<tr>
<td>(2)</td>
<td>Multiply the total common equity tier 1 capital subtotal by 25 percent.</td>
<td>$60 x 25% = $15</td>
</tr>
<tr>
<td>(3)</td>
<td>Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital.</td>
<td>$20 &gt; $15, so the amount deducted is $20 - $15 = $5</td>
</tr>
<tr>
<td>(4)</td>
<td>The amount of investments deducted from regulatory capital can be deducted from the corresponding total amounts of regulatory capital held by the holding company that meet each type of capital, as a holding company chooses.</td>
<td>Total of $5 must be deducted from regulatory capital. Of that, $3 will be deducted from the holding company’s $3 of tier 2 capital, and $2 will be deducted from the holding company’s $20 of additional tier 1 capital. No deduction from common equity tier 1 will be reported in item 13.a.</td>
</tr>
</tbody>
</table>
Schedule HC-R

These holding companies apply a risk weight of 250 percent for significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted from capital when calculating risk-weighted assets.

(13.a) CBLR electing holding company worksheet

| (1) | Total investments in the capital of unconsolidated financial institutions | $20 |
| (2) | Multiply the total common equity tier 1 capital subtotal by 25 percent. | $60 \times 25\% = $15 |
| (3) | Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital. | $20 > $15, so the amount deducted is $20 - $15 = $5 |
| (4) | The amount of investments deducted from regulatory capital can be deducted from the corresponding total amounts of regulatory capital held by the holding company that meet each type of capital, as a holding company chooses. | Total of $5 must be deducted from regulatory capital. Since holding companies have the flexibility to choose which items are deducted, they can elect to allocate the tier 1 investments first. As a result, the remaining investment that exceeds the threshold would be tier 2 instruments. Therefore, since CBLR electing holding companies are not required to make tier 2 deductions, no deduction is necessary. |
Schedule HC-R

Worksheet for holding companies not subject to the expanded risk-based approach

(14.a) Non-Advanced approaches holding company worksheet

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total amount of MSAs, net of associated DTLs</td>
<td>$20</td>
</tr>
<tr>
<td>2</td>
<td>Multiply the total common equity tier 1 capital subtotal by 25%</td>
<td>$60 x 25% = $15</td>
</tr>
<tr>
<td>3</td>
<td>Determine if (1) is greater than (2), and if so, the difference between (1)</td>
<td>$20 &gt; $15, so the amount deducted is $20 - $15 = $5</td>
</tr>
<tr>
<td></td>
<td>and (2) must be deducted from regulatory capital.</td>
<td></td>
</tr>
</tbody>
</table>

(3) If the amount in (1) is lower than 25 percent of Schedule HC-R, Part I, item 12 (Column A), enter zero in this item 14.a.

All holding companies must apply a 250 percent risk-weight to MSAs that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for holding companies that are subject to the community bank leverage ratio (CBLR) framework.

Example and a worksheet calculation:
Assumptions:
For this example, assume that a holding company:
• has $20 of MSAs, net of associated DTLs,
• has total common equity tier 1 capital subtotal (reported on Schedule HC-R, Part I, line item 12 (Column A) of $60

Note: Item 14.b is to be completed only by advanced approaches holding companies.

Line Item 14.b LESS: MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.

Report the amount of MSAs included in Schedule HC-M, item 12.a, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold as follows:

(14.b) Advanced approaches holding company worksheet

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total amount of MSAs, net of associated DTLs</td>
<td>$20</td>
</tr>
<tr>
<td>2</td>
<td>Multiply the total common equity tier 1 capital subtotal by 10%.</td>
<td>$60 x 10% = $6</td>
</tr>
<tr>
<td>3</td>
<td>Determine if (1) is greater than (2), and if so, the difference between (1)</td>
<td>$20 &gt; $6, so the amount deducted is $20 - $6 = $14</td>
</tr>
<tr>
<td></td>
<td>and (2) must be deducted from regulatory capital.</td>
<td></td>
</tr>
</tbody>
</table>
Schedule HC-R

Note: Item 15.a is to be completed only by non-advanced approaches holding companies

Line Item 15.a LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 25 percent common equity tier 1 capital deduction threshold.

(15.a) Non-Advanced approaches holding company worksheet

| (1) | Total amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs. | $20 |
| (2) | Multiply the total common equity tier 1 capital subtotal by 25 percent. | $60 \times 25\% = $15 |
| (3) | Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital. | $20 > $15, so the amount deducted is $20 - $15 = $5 |

(1) Determine the amount of DTAs arising from temporary differences that the holding company could not realize through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the holding company’s ALLL or allowances for credit losses (ACL), as applicable).

(2) If the amount in (1) is higher than 25 percent of Schedule HC-R, Part I, item 12 (Column A), report the difference in this item 15.a.

(3) If the amount in (1) is lower than 25 percent of Schedule HC-R, Part I, item 12, enter zero in this item 15.a.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned a 100 percent risk weight, except for holding companies that have a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date.

All holding companies, apply a 250 percent risk-weight to DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from common equity tier 1 capital, without regard to any associated DTLs, except for holding companies CBLR framework election effect as of the quarter-end report date.

A holding company that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing holding company) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing holding company should reduce the amount of its DTAs arising from temporary differences by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period (see Table 2 in the General Instructions for HC-R, Part I).

A holding company that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing holding company) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing holding company should reduce the amount of its DTAs arising from temporary differences by 100 percent of its DTA transitional amount during the first and second years of the transition period, 75 percent of its DTA transitional amount during the third year of the transition period,
50 percent of its DTA transitional amount during the fourth year of the transition period, and 25 percent of its DTA transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020, in the General Instructions for HC-R, Part I).

Example and a worksheet calculation:

Assumptions:
For this example, assume that a holding company:

- Has $20 of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs, and
- Has total common equity tier 1 capital subtotal (reported in Schedule HC-R, Part I, item 12, (column B) of $60.

Note: Item 15.b is to be completed only by advanced approaches holding companies

Line Item 15.b LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.

(1) Determine the amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the holding company’s allowance for loan and lease losses (ALLL) or allowance for credit losses (ACL), as applicable).

(2) If the amount in (1) is greater than 10 percent of Schedule HC-R, Part I, item 12 (Column B), report the difference in this item 15.b.

(3) If the amount in (1) is less than 10 percent of Schedule HC-R, Part I, item 12 (Column B), enter zero in this item 15.b.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned to a 100 percent risk-weight category.

For advanced approaches holding companies, apply a 250 percent risk-weight to DTAs arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from common equity tier 1 capital, without regard to any associated DTLs.

A holding company that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the 3-year CECL transition provision (3-year CECL electing holding company) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing holding company should reduce the amount of its DTAs arising from temporary differences by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period (see Table 1 in the General Instructions for HC-R, Part I).

Worksheet for holding companies subject to the expanded risk-based approach

| (1) | Total amount of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs, |
|-----|-------------------------------------------------------------------------------------------------|---|
|     | $20                                                                                             |   |
| (2) | Multiply the total common equity tier 1 capital subtotal by 10%.                                 | $60 \times 10\% = $6 |
| (3) | Determine if (1) is greater than (2), and if so, the difference between (1) and (2) must be deducted from regulatory capital. | $20 > $6, so the amount deducted is $20 - $6 = $14 |
A holding company that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing holding company) should decrease its DTAs arising from temporary differences by the applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing holding company should reduce the amount of its DTAs arising from temporary differences by 100 percent of its DTA transitional amount during the first and second years of the transition period, 75 percent of its DTA transitional amount during the third year of the transition period, 50 percent of its DTA transitional amount during the fourth year of the transition period, and 25 percent of its DTA transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision in the General Instructions for HC-R, Part I).

Example and a worksheet calculation:
Assumptions:
For this example, assume that a holding company:

- has $20 of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs,
- has total common equity tier 1 capital subtotal (reported on Schedule HC-R, Part I, line item 12 (Column B)) of $60

Note: Item 16 is to be completed only by advanced approaches holding companies. Non-advanced approaches holding companies, proceed to item 17.

Line Item 16 LESS: Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold.

The aggregate amount of the threshold items (that is, significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs) may not exceed 15 percent of the holding company’s common equity tier 1 capital, net of applicable adjustments and deductions (the 15 percent common equity tier 1 capital deduction threshold).

Example and a worksheet calculation for advanced approaches holding companies:
Assumptions:

- The amount reported in Schedule HC-R, Part I, item 12 (Column B) is $130. (This amount is common equity tier 1 after all deductions and adjustments, except for deduction of the threshold items).
- Assume that the associated DTLs are zero; also assume the following balance sheet amounts prior to deduction of these items:
  - Significant investments in the common shares of unconsolidated financial institutions net of associated DTLs = $10.
  - MSAs net of associated DTLs = $20
  - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowances and net of DTLs = $30.
### Schedule HC-R

#### (16) Advanced approaches holding company worksheet

<table>
<thead>
<tr>
<th></th>
<th>Aggregate amount of threshold items before deductions Enter the sum of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs (Schedule HC-R, Part I, item 13.b, step 1);</td>
</tr>
<tr>
<td></td>
<td>$10</td>
</tr>
<tr>
<td>b.</td>
<td>MSAs net of associated DTLs (Schedule HC-R, Part I, item 14.b, step 1); and</td>
</tr>
<tr>
<td></td>
<td>$20</td>
</tr>
<tr>
<td>c.</td>
<td>DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (Schedule HC-R, Part I, item 15.b, step 1).</td>
</tr>
<tr>
<td></td>
<td>$30</td>
</tr>
<tr>
<td>d.</td>
<td>Total of a, b, and c:</td>
</tr>
<tr>
<td></td>
<td>$60</td>
</tr>
</tbody>
</table>

#### (2) The 10 percent common equity tier 1 capital deduction threshold

Multiply the amount reported in Schedule HC-R, Part I, item 12, column B, by 10 percent.

- $130 * 10% = $13

#### (3) Amount of threshold items deducted as a result of the 10 percent common equity tier 1 capital deduction threshold

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Significant investments in the capital of unconsolidated financial institutions in the form of common stock net of associated DTLs (as reported in Schedule HC-R, Part I, item 13.b)</td>
</tr>
<tr>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>b.</td>
<td>MSAs net of associated DTLs (as reported in Schedule HC-R, Part I, item 14.b)</td>
</tr>
<tr>
<td></td>
<td>$20 - $13 = $7</td>
</tr>
<tr>
<td>c.</td>
<td>DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs (as reported in Schedule HC-R, Part I, item 15.b)</td>
</tr>
<tr>
<td></td>
<td>$30 - $13 = $17</td>
</tr>
</tbody>
</table>

#### (4) Sum of threshold items not deducted as a result of the 10 percent common equity tier 1 capital deduction threshold

Enter the sum of:

- Significant investments in the capital of unconsolidated financial institutions in the form of common stock net of associated DTLs that are not deducted (that is, the difference between the amount in step (1)(a) of this table and step 3(a) of this table) |
|   | $10 |
- MSAs that are not deducted (that is, the difference between the amount in step (1)(b) of this table and step 3(b) of this table) |
|   | $20 - $7 = $13 |
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs that are not deducted (that is, the difference between the amount in step (1)(c) of this table and step (3)(c) of this table) |
|   | $30 - $17 = $13 |
- Total of a, b, and c |
|   | $10 + $13 + $13 = $36 |

#### (5) The 15 percent common equity tier 1 capital deduction threshold

Calculate as follows:
### Schedule HC-R

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a.</strong></td>
<td>Subtract the amount calculated in step (1)(d) of this table from Schedule HC-R, Part I, item 12, column B;</td>
<td>($130 - $60) x 17.65% = $12.36 Rounds to $12</td>
</tr>
<tr>
<td><strong>b.</strong></td>
<td>Multiply the resulting amount by 17.65 percent</td>
<td></td>
</tr>
</tbody>
</table>

#### (6) Amount of threshold items that exceed the 15 percent common equity tier 1 capital deduction threshold

Report as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a.</strong></td>
<td>If the amount in step (4)(d) is greater than the amount in step (5), then subtract (5) from (4)(d) and report this number in Schedule HC-R, Part I, item 16. (In addition, the holding company must risk-weight the items that are not deducted at 250 percent in the risk-weighted asset section of this form.)</td>
</tr>
<tr>
<td><strong>b.</strong></td>
<td>If the amount in step (4)(d) is less than the amount in step (5), report zero in Schedule HC-R, Part I, item 16.</td>
</tr>
</tbody>
</table>

#### (7) If the amount in step (6) is above zero, then pro-rate the threshold items’ deductions as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a.</strong></td>
<td>Significant investments in the capital of unconsolidated financial institutions in the form of common stock: multiply (6)(a) by the ratio of (1)(a) over (1)(d).</td>
</tr>
<tr>
<td><strong>b.</strong></td>
<td>MSAs net of associated DTAs: multiply (6)(a) by the ratio of (1)(b) over (1)(d).</td>
</tr>
<tr>
<td><strong>c.</strong></td>
<td>DTAs arising from temporary differences that could not be realized through net operating loss carrybacks: multiply (6)(a) by the ratio of (1)(c) over (1)(d).</td>
</tr>
</tbody>
</table>

### Line Item 17 LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.

#### (i) All non-advanced-approaches holding companies (Column A)

Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments, reciprocal cross-holdings, and investments in the capital of unconsolidated financial institutions if the reporting holding company does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule HC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule HC-R, Part I, item 42.a) to absorb these deductions in Schedule HC-R, Part I, items 24 or 43, as appropriate.

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing holding company is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing holding company has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the CBLR electing holding company under the generally applicable rule (tier 2 qualifying investments), and the holding company’s total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the holding company is not required to deduct the tier 2 qualifying investments.

#### (ii) All advanced-approaches holding companies (Column B)

Report the total amount of deductions related to investments in own additional tier 1 and tier 2 capital instruments; investments in own covered debt instruments, if
applicable; reciprocal cross holdings; investments in the capital and covered debt instruments of unconsolidated financial institutions; investments in excluded covered debt instruments, as applicable; if the holding company does not have a sufficient amount of additional tier 1 capital before deductions (reported in Schedule HC-R, Part I, item 23) and tier 2 capital before deductions (reported in Schedule HC-R, Part I, item 42.a and 42.b) to absorb these deductions in Schedule HC-R, Part I, items 24 or 43, as appropriate.

Line Item 18  Total adjustments and deductions for common equity tier 1 capital.

Report the sum of Schedule HC-R, Part I, items 13 through 17.

Line Item 19  Common equity tier 1 capital.

Report Schedule HC-R, Part I, item 12 less item 18. Except for a CBLR electing holding company under the community bank leverage ratio framework, the amount reported in this item is the numerator of the holding company’s common equity tier 1 risk-based capital ratio.

Additional tier 1 capital

Line Item 20  Additional tier 1 capital instruments plus related surplus.

Report the portion of noncumulative perpetual preferred stock and related surplus included in Schedule HC, item 23, and any other capital instrument and related surplus that satisfy all the additional tier 1 criteria in section 20(c) of the revised regulatory capital rules of the Board.

Include instruments that were (i) issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 1 capital under the Board’s general risk-based capital rules (12 CFR part 225, appendix A, and, if applicable, appendix E) (for example, tier 1 instruments issued under the TARP program that are grandfathered permanently). Also include additional tier 1 capital instruments issued as part of an ESOP, provided that the repurchase of such instruments is required solely by virtue of ERISA for a banking organization that is not publicly-traded.

Line Item 21  Non-qualifying capital instruments subject to phase out from additional tier 1 capital.

Report the total amount of non-qualifying capital instruments that were included in tier 1 capital and outstanding as of January 1, 2014, as follows:

a. Depository institution holding companies with total consolidated assets of less than $15 billion as of December 31, 2009 and holding companies that were mutual holding companies as of May 19, 2010 (2010 MHCs) only:

Depository institution holding companies with total consolidated assets of less than $15 billion as of December 31, 2009 and holding companies that were mutual holding companies up to May 19, 2010, (2010 MHCs) may include non-qualifying capital instruments (e.g., TruPS and cumulative perpetual preferred stock) issued prior to May 19, 2010, in additional tier 1 or tier 2 capital if the instrument will be included in tier 1 or tier 2 capital, respectively, if the January 1, 2014. Such non-qualifying capital instruments includable in tier 1 capital are subject to a limit of 25 percent of tier 1 capital elements, excluding any non-qualifying capital instruments and after all regulatory capital deductions and adjustments have been applied to tier 1 capital.

b. Depository institution holding companies with total consolidated assets of $15 billion or more as of December 31, 2009 that are not 2010 MHCs:

This line item is generally not applicable to non-qualifying capital instruments issued by depository institution holding companies with total consolidated assets of less than $15 billion and 2010 MHCs prior to May 19, 2010, because these institutions may include non-qualifying regulatory capital instruments in additional tier 1 capital as described in Schedule HC-R, item 20.

Non-qualifying capital instruments that are not included in additional tier 1 capital as a result of the 25 percent limit, described in section 300(c)(3)(ii) of the revised regulatory capital rules, may be included in tier 2 capital in item 27.

12. Excluded covered debt instrument is defined in 12 CFR 217.2.

13. Depository institution holding company means a bank holding company or savings and loan holding company.
Table 3—Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital during the transition period

<table>
<thead>
<tr>
<th>Transition period</th>
<th>Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital for a depository institution holding company of $15 billion or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar year 2014</td>
<td>50</td>
</tr>
<tr>
<td>Calendar year 2015</td>
<td>25</td>
</tr>
<tr>
<td>Calendar year 2016 and thereafter</td>
<td>0</td>
</tr>
</tbody>
</table>

Depository institution holding companies with total consolidated assets of $15 billion or more as of December 31, 2009, that are not 2010 MHCs must phase out non-qualifying capital instruments (that is, debt or equity instruments that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the revised regulatory capital rules, but that were issued and included in tier 1 or tier 2 capital, respectively, prior to May 19, 2010) as set forth in Table 3, starting on January 1, 2014, for an advanced approaches holding company that is not an SLHC and starting January 1, 2015, for a non-advanced approaches holding company.

If non-advanced approaches holding companies have non-qualifying capital instruments that are excluded from tier 1 capital, such non-qualifying capital instruments can be included in tier 2 capital, without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the revised regulatory capital rules.

For the case of advanced approaches holding companies, non-qualifying capital instruments that are phased out of tier 1 capital under Table 3 are fully includable in tier 2 capital until December 31, 2015. From January 1, 2016, until December 31, 2021, these holding companies are required to phase out such non-qualifying capital instruments from tier 2 capital in accordance with the percentage in Table 3, in line item 38.

Transition provisions for non-qualifying capital instruments includable in additional tier 1 or tier 2 capital:

Table 3 applies separately to additional tier 1 and tier 2 non-qualifying capital instruments. For example, an advanced approaches holding company may include up to 50 percent of non-qualifying capital instruments in additional tier 1 capital during calendar year 2014 but it cannot include any such instruments in additional tier 1 capital starting in calendar year 2016.

If the holding company is involved in a merger or acquisition, it should treat its non-qualifying capital instruments following the requirements of the Board’s revised regulatory capital rules.

Line Item 22  Tier 1 minority interest not included in common equity tier 1 capital.

Report the amount of tier 1 minority interest not included in common equity tier 1 capital that is includable at the consolidated level, calculated as described below in section 21 of the regulatory capital rules.

(i) All holding companies, except advanced approaches holding companies

Non-advanced approaches holding companies are able to include tier 1 minority interest up to 10 percent of the parent holding company’s tier 1 capital. The 10 percent limitation is measured before the inclusion of any minority interest and after the deductions from and adjustments to the regulatory capital of the parent holding company described in sections 22(a) and (b) of the capital rule. Tier 1 minority interest is the portion of tier 1 capital in a reporting holding company’s subsidiary not attributable, directly or indirectly, to the parent holding company. Note that a holding company may only include tier 1 minority interest if the capital instruments issued by the subsidiary meet all of the criteria for tier 1 capital (qualifying tier 1 capital instruments).

Example and a worksheet calculation: Calculate tier 1 minority interest not included in common equity tier 1 capital.
(22.i) **Non-advanced approaches holding company worksheet**

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Common equity tier 1 capital before CET1 minority interest + Additional tier 1 capital instruments before minority interest - additional tier 1 capital deductions = Schedule HC-R, Part I, sum of items 19, 20, and 21, minus item 4 minus item 24.</td>
<td>$90 + $15 - $4 = $101</td>
<td>$101</td>
</tr>
<tr>
<td>2</td>
<td>Multiply step (1) by 10 percent. This is the maximum includable tier 1 minority interest from all subsidiaries.</td>
<td>$101 x 10% = $10.1</td>
<td>$10.1</td>
</tr>
<tr>
<td>3</td>
<td>Determine the lower of (2) or the tier 1 minority interest from all subsidiaries.</td>
<td>Minimum of (10.1 from step 2 or $24 from the assumptions) = $10.1</td>
<td>$10.1</td>
</tr>
<tr>
<td>4</td>
<td>From (3), subtract out the common equity tier 1 minority interest reported in Schedule HC-R, Part I, item 4. This is the “tier 1 minority interest not included in common equity tier 1 minority interest includable at the reporting holding company’s level” to be included in Schedule HC-R, Part I, item 22.</td>
<td>$10.1 - $9 = $1.1</td>
<td>$1.1</td>
</tr>
</tbody>
</table>

minority interest includable at the reporting holding company’s level as follows:

**Assumptions:**

- This is a continuation of the example for all holding companies, except advanced approaches holding companies, used in the instructions for Schedule HC-R, Part I, item 4.
- Assumptions and calculation from Schedule HC-R, Part I, item 4:
  - The parent holding company’s common equity tier 1 capital adjustments and deductions is $100.
  - The parent holding company’s additional tier 1 capital instruments before minority interest and additional tier 1 deductions equal $15.
  - Additional tier 1 capital deductions equal $4.
  - Subsidiary A has $6 of additional tier 1 minority interest (that is, owned by minority shareholders).
  - Subsidiary B has $6 of additional tier 1 minority interest (that is, owned by minority shareholders).
  - The subsidiary’s tier 1 minority interest (that is, owned by minority shareholders) is $24 ($12 of common equity tier 1 minority interest and $12 of minority interest in the form of additional tier 1 instruments).

(ii) **Advanced approaches holding companies**

For each consolidated subsidiary, perform the calculations in steps (1) through (10) of the worksheet below. Sum up the results from step 10 for each consolidated subsidiary and report the aggregate number in this item 22.

For tier 1 minority interest, there is no requirement that the subsidiary be a depository institution or a foreign bank. However, the instrument that gives rise to tier 1 minority interest must meet all the criteria for either common equity tier 1 capital or additional tier 1 capital instrument.

**Example and a worksheet calculation:** Calculate tier 1 minority interest not included in common equity tier 1 capital includable at the holding company level as follows:

**Assumptions:**

- This is a continuation of the example used for common equity tier 1 minority interest from Schedule HC-R, item 4.
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets.
Schedule HC-R

Worksheet for holding companies subject to the expanded risk-based approach

of the holding company that relate to the subsidiary $1,000 in each case.

- Subsidiary’s tier 1 capital: $110, which is composed of subsidiary’s common equity tier 1 capital of $80 and additional tier 1 capital of $30.
- Subsidiary’s common equity tier 1 owned by minority shareholders: $24.
- Subsidiary’s additional tier 1 capital owned by minority shareholders: $15.
- Other relevant numbers are taken from the example in Schedule HC-R, item 4.

(22.ii) Advanced approaches holding company—worksheet

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Determine the risk-weighted assets of the subsidiary.</td>
<td>$1,000</td>
</tr>
<tr>
<td>2</td>
<td>Using the standarized approach, determine the risk-weighted assets of the reporting institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.</td>
<td>$1,000</td>
</tr>
<tr>
<td>3</td>
<td>Multiply the lower of (1) or (2) by 8.5 percent.</td>
<td>$1,000 \times 8.5% = $85</td>
</tr>
<tr>
<td>4</td>
<td>Determine the dollar amount of tier 1 capital for the subsidiary. If this amount is less than step (3), enter the sum of common equity tier 1 and additional tier 1 minority interest ($39 in this example) in step (9). Otherwise continue on to step (5).</td>
<td>$110</td>
</tr>
<tr>
<td>5</td>
<td>Subtract the amount in step (3) from the amount in step (4). This is the “surplus tier 1 capital of the subsidiary.”</td>
<td>$110 - $85 = $25</td>
</tr>
<tr>
<td>6</td>
<td>Determine the percent of the subsidiary’s qualifying tier 1 capital instruments that are owned by third parties (the minority shareholders).</td>
<td>$24 + 15 = $39. Then $39/$110 = 35.45%</td>
</tr>
<tr>
<td>7</td>
<td>Multiply the percentage from step (6) by the dollar amount in step (5). This is the “surplus tier 1 minority interest of the subsidiary.”</td>
<td>35.45% \times $25 = $8.86</td>
</tr>
<tr>
<td>8</td>
<td>Determine the total amount of tier 1 minority interest of the subsidiary. Then subtract the surplus tier 1 minority interest of the subsidiary (step 7) from this amount.</td>
<td>$24 + $15 = $39. Then $39 - $8.86 = $30.14</td>
</tr>
<tr>
<td>9</td>
<td>The “tier 1 minority interest includable at the holding company level” is the amount from step (8) (or from step (4) when there is no surplus tier 1 minority interest of the subsidiary).</td>
<td>$30.14</td>
</tr>
<tr>
<td>10</td>
<td>Subtract any minority interest that is included in common equity tier 1 capital (from Schedule HC-R, Part I, item 4). The result is the minority interest included in additional tier 1 capital.</td>
<td>$30.14 - $21 (from example in item 4) = $9.14</td>
</tr>
</tbody>
</table>

---

14. The percentage multiplier in step (3) is the capital ratio necessary for the subsidiary to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches holding must adjust this percentage to account for all applicable capital buffers.

Note: As indicated, this example built onto the example under the instructions for item 4, where the subsidiary was a depository institution, and where its common equity tier 1 minority interest was includable in common equity tier 1 capital. However, if this were a subsidiary other than a depository institution, none of its minority interest arising from common equity tier 1 would have been includable in common equity tier 1 capital. If the
subsidiary in the example were not a depository institution, the full calculated amount of minority interest ($30.14) would be includable in additional tier 1 capital of the reporting holding company since none of it would have been includable in common equity tier 1 capital.

**Line Item 23  Additional tier 1 capital before deductions.**

Report the sum of Schedule HC-R, Part I, items 20, 21, and 22.

**Line Item 24  LESS: Additional tier 1 capital deductions.**

Report additional tier 1 capital deductions as the sum of the following elements:

Note that a holding company should report additional tier 1 capital deductions in item 24 irrespective of the amount of additional tier 1 capital before deductions reported in Schedule HC-R, Part I, item 23. If a holding company does not have a sufficient amount of additional tier 1 capital before deductions in Schedule HC-R, Part I, item 23 to absorb these deductions, then the holding company must deduct the shortfall from common equity tier 1 capital in (Schedule HC-R, Part I, item 17). For example, if a holding company reports $0 of “Additional tier 1 capital” before deductions in Schedule HC-R, Part I, item 23 and has $100 of additional tier 1 capital deductions, the holding company would report $100 in Schedule HC-R, Part I, item 24, and add $100 to the amount to be reported in Schedule HC-R, Part I, item 17 and report $0 in Schedule HC-R, Part I, item 25, “Additional tier 1 capital.”

(i) **Non-advanced approaches holding companies**

(1) **Investments in own additional tier 1 capital instruments.**

Report the holding company’s investments in (including any contractual obligation to purchase) its own additional tier 1 capital instruments, whether held directly or indirectly.

A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in a holding company’s own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;

(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and

(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the holding company’s internal control processes.

(2) **Reciprocal cross-holdings in the capital of financial institutions.**

Include investments in the additional tier 1 capital instruments of other financial institutions that the holding company holds reciprocally, where such reciprocal cross-holdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other’s capital instruments. If the holding company does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

For example, if a holding company is required to deduct a certain amount from additional tier 1 capital and it does not have additional tier 1 capital, then the deduction should be from common equity tier 1 capital in Schedule HC-R, Part I, item 17.

(3) **Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from additional tier 1 capital.**

Report the total amount of investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital that exceed the 25 percent threshold.

(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.

(2) If the amount in (1) is greater than 25 percent of Schedule HC-R, Part I, item 12 (Column A), report the difference across Schedule HC-R, Part I, items 13.a, 24 or 41, depending on the tier of capital the investments in the capital of unconsolidated financial institutions exceed.
financial institutions qualifies. The holding company can elect which investments it must deduct and which it must risk weight. Depending on the holding company’s election and the component of capital for which the underlying instrument would qualify will determine if it will be deducted and reported in Schedule HC-R, Part I, item 13.a or be deducted and reported in Schedule HC-R, Part I, item 24 or 41.

(3) If the amount in (1) is less than 25 percent of Schedule HC-R, Part I, item 12 (Column A), no deduction is needed.

See Schedule HC-R, Part I, item 13 for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25% threshold.

Since the community bank leverage ratio framework does not have a total capital requirement, a CBLR electing holding company is neither required to calculate tier 2 capital nor make any deductions that would have been taken from tier 2 capital under the generally applicable rule. Therefore, if a CBLR electing holding company has investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital of the electing holding company under the generally applicable rule, and the holding company’s total investments in the capital of unconsolidated financial institutions exceed the threshold for deduction, the holding company is not required to deduct the tier 2 qualifying investments.

(4) Other adjustments and deductions.

Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross-holdings, non-significant investments in the tier 2 capital of unconsolidated financial institutions, and significant investments in the tier 2 capital of unconsolidated financial institutions).

Eligible holding companies that opt into the community bank leverage ratio framework, are not required to calculate tier 2 capital and would not be required to make any deductions that would be taken from tier 2 capital.

(ii) Advanced approaches—holding companies

(1) Investments in own additional tier 1 capital instruments:

Report the holding company’s investments in (including any contractual obligation to purchase) its own additional tier 1 capital instruments, whether held directly or indirectly.

A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in a holding company’s own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;

(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and

(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the holding company’s internal control processes.

(2) Reciprocal cross-holdings in the capital of financial institutions.

Include investments in the additional tier 1 capital instruments of other financial institutions that the holding company holds reciprocally, where such reciprocal cross-holdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other’s capital instruments. If the holding company does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

For example, if a holding company is required to deduct a certain amount from additional tier 1 capital and it does not have additional tier 1 capital, then the deduction should be from common equity tier 1 capital in Schedule HC-R, Part I, item 17.

(3) Non-significant investments in additional tier 1 capital of unconsolidated financial institutions that exceed the threshold for non-significant investments.
Schedule HC-R

As noted in the instructions for HC-R, Part 1, item 11 above, a holding company has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution.

Calculate this amount as follows:

(1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1 capital, tier 2 capital, and covered debt instruments.\(^{15}\)

(2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.

(3) If the amount in (1) is greater than the 10 percent threshold for non-significant investments (Schedules HC-R, Part 1, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this item 24.

(4) If the amount in (1) is less than the 10 percent threshold for non-significant investments, report zero.

For example, assume a holding company has a total of $200 in non-significant investments (step 1), including $60 in the form of additional tier 1 capital (step 2), and its 10 percent threshold for non-significant investments is $100 (as calculated in step 4 of item 11). Since the aggregate amount of non-significant investments exceeds the 10 percent threshold for non-significant investments by $100 ($200-$100), the holding company must multiply $100 by the ratio of 60/200 (step 3). Thus, the holding company would need to deduct $30 from its additional tier 1 capital.

(4) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from additional tier 1 capital.

Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.

(5) Other adjustments and deductions.

Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross holdings, non-significant investments in the tier 2 capital of unconsolidated financial institutions), significant investments in the tier 2 capital of unconsolidated financial institutions, significant investments in the covered debt instruments of unconsolidated financial institutions, non-significant investments in the covered debt instruments of unconsolidated financial institutions, and investments in nonqualifying excluded covered debt instruments).

Also include adjustments and deductions related to DTAs that arise from net operating loss and tax credit carry forwards, gain-on-sale in connection with a securitization exposure, defined benefit pension fund assets, and changes in fair value of liabilities due to changes in own credit risk.

Line Item 25 Additional tier 1 capital.
Report the greater of Schedule HC-R, Part 1, item 23 minus item 24, or zero.

Tier 1 capital

Line Item 26 Tier 1 capital.
Report the sum of Schedule HC-R, Part 1, items 19 and 25.

Total Assets for the Leverage Ratio

Line Item 27 Average total consolidated assets.
All holding companies must report the amount of average total consolidated assets as reported in Schedule HC-K, item 5.

A holding company that has adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), and has elected to apply the CECL transition provision (CECL electing holding company) should increase its average total consolidated assets by its applicable CECL transitional amount, in accordance with section 301(c)(1)(iv) of the regulatory capital rules. Specifically, a 3-year CECL electing holding company should increase its average total consolidated assets as reported on the FR Y-9C for purposes of the leverage ratio by 75 percent of its CECL transitional amount during

\(^{15}\) A holding company may exclude covered debt instruments (as defined in 12 CFR 3.2, 12 CFR 217.2, and 12 CFR 324.2, as applicable) from the calculation of non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions.
Schedule HC-R

(i) Non-advanced approaches holding companies

Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule HC-R, Part I, items 6, 7, 8, 10.b, 13.a, 14.a, 15.a, 17 (Column A), and item 24. Also exclude the amount reported in Schedule HC-R, Part I, item 17 that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in Schedule HC-R, Part I, item 24. (This is to avoid double counting.)

(ii) Advanced approaches holding companies

Report the sum of the amounts deducted from common equity tier 1 capital and additional tier 1 capital in Schedule HC-R, items 6, 7, 8, 10.b, 11, 13.b, 14.b, 15.b, 16, 17 (Column B), and item 24. Also exclude the amount reported in Schedule HC-R, Part I, item 17 that is due to insufficient amounts of additional tier 1 capital, and which is included in the amount reported in Schedule HC-R, Part I, item 24. (This is to avoid double counting.)

A holding company that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing holding company) should increase its average total consolidated assets by its applicable modified CECL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing holding company should increase its average total consolidated assets as reported on the FR Y-9C report for purposes of the leverage ratio by 100 percent of its modified CECL transitional amount during the first and second years of the transition period, 75 percent of its modified CECL transitional amount during the third year of the transition period, 50 percent of its modified CECL transitional amount during the fourth year of the transition period, and 25 percent of its modified CECL transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for HC-R, Part I).

Line Item 29 LESS: Other deductions from (additions to) assets for leverage ratio purposes.

Based on the Board’s capital rules, report the amount of any deductions from (additions to) total assets for leverage capital purposes that are not included in Schedule HC-R, Part I, item 28, as well as the items below, if applicable. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.

Include as a deduction the quarterly average amount of Paycheck Protection Program (PPP) loans pledged to the PPP Liquidity Facility (PPPLF). This quarterly average should be consistent with and calculated using the same averaging method used for calculating the quarterly average for “Total consolidated assets” reported in Schedule HC-K, item 5. Holding companies also should report in Schedule HC-M, item 25.e, the quarterly average amount of PPP loans pledged to the PPPLF that are included as a deduction in this item 29.

Include as a deduction the quarterly average amount of assets purchased under the Money Market Mutual Fund Liquidity Facility (MMLF). This quarterly average should be consistent with and calculated using the same averaging method used for calculating the quarterly average for “Total consolidated assets” reported in Schedule HC-K, item 5.

Holding companies that make the AOCI opt-out election in Schedule HC-R, Part I, item 3.a – Defined benefit postretirement plans:

If the reporting holding company 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”), the holding company should adjust total assets for leverage ratio purposes for any amounts included in Schedule HC, item 26.b, “Accumulated other comprehensive income” (AOCI), 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 HC-R, Part I, item 9.d) is to reverse the effects on AOCI.
Schedule HC-R

of applying ASC Subtopic 715-20 for regulatory capital purposes. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Subtopic 715-20 should be reported as an adjustment to total assets for leverage ratio purposes. 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 added back to total assets for leverage ratio purposes by reporting the amount as a negative number in this item. As another example, the portion of a benefit plan surplus asset that is included in Schedule HC, item 26.b, as an increase to AOCI and in total assets should be deducted from total assets for leverage ratio purposes by reporting the amount as a positive number in this item.

Holding companies that do not make the AOCI opt-out election and all advanced approaches holding companies—Available-for-sale debt securities:

Available-for-sale debt securities are reflected at amortized cost when calculating average total consolidated assets for Schedule HC-K, item 5. Therefore, include in this item as a deduction from (addition to) assets for leverage ratio purposes the amount needed to adjust the quarterly average of available-for-sale debt securities included in Schedule HC-K, item 5, from an average based on amortized cost to an average based on fair value. If the deferred tax effects of any net unrealized gains (losses) on available-for-sale debt securities were excluded from the determination of average total consolidated assets for Schedule HC-K, item 5, also include in this item as a deduction from (addition to) assets for leverage ratio purposes the quarterly average amount necessary to reverse the effect of this exclusion on the quarterly average amount of net deferred tax assets included in Schedule HC-K, item 5.

Line Item 30 Total assets for the leverage ratio.


Leverage Ratio

Line Item 31 Leverage ratio.

Report the holding company’s leverage ratio as a percentage, rounded to four decimal places. Divide Schedule HC-R, Part I, item 26 by item 30.
Qualifying Criteria for Using the CBLR framework

Schedule HC-R, Part I, items 32 through 36, are to be completed only by qualifying holding companies that have elected to adopt the community bank leverage ratio framework or are within the grace period as of the quarter-end report date. (For further information on the grace period, see the General Instructions for Part I.)

If your holding company entered “1” in Schedule HC-R, Part I, item 31a, then Schedule HC-R, Part I, items 32 through 36, must be completed. Holding companies that do not qualify or have not adopted the community bank leverage ratio framework, go to Schedule HC-R, Part I, item 37. A qualifying holding company can opt out of the community bank leverage ratio framework by completing Schedule HC-R, Part I and Part II and not completing Schedule HC-R, Part I, items 32 through 36.

Line Item 32  Total assets.

Report total assets from Schedule HC, item 12. A holding company’s total assets must be less than $10 billion as part of the qualifying criteria for the CBLR framework.

Line Item 33  Trading assets and trading liabilities.

Report in Column A the sum of trading assets from Schedule HC, item 5, and trading liabilities from Schedule HC, item 15 (i.e., added, not netted).

Report in Column B such trading assets and trading liabilities as a percentage of total assets by dividing the amount of trading assets and trading liabilities reported in column A of this item by total assets reported in item 32 above, rounded to four decimal places. The percentage reported in this item must be 5 percent or less of total assets as part of the qualifying criteria for the CBLR framework.

Line Item 34  Off-balance sheet exposures.

Report in the appropriate subitem the holding company’s off-balance sheet exposure amounts.

Line Item 34.a  Unused portion of conditionally cancellable commitments.

Report the amounts of unused commitments, excluding unconditionally cancelable commitments that are reported in Schedule HC-R, Part I, item 35, below. Include in this item legally binding arrangements (other than letters of credit, which are reported in Schedule HC-R, Part I, item 34.c) that obligate a holding company to extend credit or to purchase assets. Where a holding company provides a commitment structured as a syndication or participation, include the amount for the holding company’s pro rata share of the commitment.

In general, this item would include the unused portion of commitments reported in Schedule HC-L, item 1, that are not unconditionally cancelable.

Line Item 34.b  Securities lent and borrowed.

Report the sum of securities lent from Schedule HC-L, item 6.a, and securities borrowed from Schedule HC-L, item 6.b.

Line Item 34.c  Other off-balance sheet exposures.

Report the sum of:

- Financial standby letters of credit: Include the amount outstanding and unused of financial standby letters of credit reported in Schedule HC-L, item 2.

- Transaction-related contingent items, including performance bonds, bid bonds, warranties, and performance standby letters of credit: Report transaction-related contingent items, which include the amount outstanding and unused of performance standby letters of credit reported in Schedule HC-L, item 3, and any other transaction-related contingent items.

- Self-liquidating, trade-related contingent items that arise from the movement of goods: Include the amount outstanding and unused of self-liquidating, trade-related contingent items that arise from the movement of goods reported in Schedule HC-L, item 4.

- Sold credit protection in the form of guarantees and credit derivatives: Include the notional amount of sold credit protection in the form of guarantees or credit derivatives (such as written credit option contracts). Do not include any non-credit derivatives, such as foreign exchange swaps and interest rate swaps.

- Credit-enhancing representations and warranties: Include the off-balance sheet amount of exposures transferred with credit-enhancing representations and warranties as defined in §.2 of the regulatory capital rule. Credit-enhancing representations and warranties
obligate a holding company “to protect another party from losses arising from the credit risk of the underlying exposures” and “include provisions to protect a party from losses resulting from the default or nonperformance of the counterparties of the underlying exposures or from an insufficiency in the value of the collateral backing the underlying exposures.” Thus, when loans or other assets are sold “with recourse” and the recourse arrangement provides protection from losses as described in the preceding definition, the recourse arrangement constitutes a credit-enhancing representation and warranty.

- **Forward agreements that are not derivative contracts:** Include the notional amount of all forward agreements, which are defined in §2 of the regulatory capital rule 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.

- **Off-balance sheet securitizations:** Report the notional amount of off-balance sheet items that qualify as securitization exposures. Refer to the definitions of securitization exposure, synthetic securitization, traditional securitization, and tranche in §2 of the regulatory capital rules and to §.42 of the regulatory capital rules to calculate the relevant exposure amount.

**Line Item 34.d Total off-balance sheet exposures.**

Report in column A the sum of Schedule HC-R, Part I, items 34.a through 34.c.

Report in column B total off-balance sheet exposures as a percentage of total assets by dividing the total amount of off-balance sheet exposures reported in column A of this item by total assets reported in Schedule HC-R, Part I, item 32 above, rounded to four decimal places. The percentage reported in this item must be 25 percent or less as part of the qualifying criteria for the CBLR framework.

**Line Item 35 Unconditionally cancellable commitments.**

Report 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). In general, this item would include the amounts reported in Schedule HC-L, items 1.a and 1.b.

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 included in this item if the bank has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

**Line Item 36 Investments in the Tier 2 capital of unconsolidated financial institutions.**

Report the amount of investments in the Tier 2 capital of unconsolidated financial institutions, net of associated DTLs.

**Note:** A qualifying holding company has a community bank leverage ratio (CBLR) framework election in effect as of the quarter-end report date (i.e., entered “1” for Yes in Schedule HC-R, Part I, item 31.a) should not complete Schedule HC-R, Part I, items 37 through 53, and should not complete Schedule HC-R, Part II.

**Tier 2 capital**

**Line Item 37 Tier 2 capital instruments plus related surplus.**

Report the portion of cumulative perpetual preferred stock and related surplus included in Schedule HC, item 23; the portion of subordinated debt and limited-life preferred stock and related surplus included in Sched-ule HC, item 19; and any other capital instrument and related surplus that satisfy all the eligibility criteria for tier 2 capital.

Include instruments that were (i) issued under the Small Business Jobs Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 2 capital non-qualifying capital instruments (e.g., TruPS and cumulative perpetual preferred) under the Federal Reserve’s general risk-based capital rules.

In addition, a depository institution holding company that is not an advanced approaches holding company may...
Schedule HC-R

include in tier 2 capital non-qualifying capital instruments (e.g., TruPS and cumulative perpetual preferred) that have been phased-out of tier 1 capital in accordance with Table 2 in Schedule HC-R, Part I, item 21.

Depository institution holding companies with total consolidated assets of less than $15 billion as of December 31, 2009 and 2010 MHCs may include in this item non-qualifying capital instruments that were included in additional tier 1 capital as a result of the 25 percent limit, described in item 20 and section 300(c)(2)(ii) of the revised regulatory capital rules.

Line Item 38 Non-qualifying capital instruments subject to phase out from tier 2 capital.

Report the total amount of non-qualifying capital instruments that were included in tier 2 capital and outstanding as of January 1, 2014, and that are subject to phase out.

Holding companies may include in regulatory capital debt or equity instruments issued prior to September 12, 2010, that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the revised regulatory capital rules but that were included in tier 1 or tier 2 capital respectively as of September 12, 2010 (non-qualifying capital instruments issued prior to September 12, 2010) up to the percentage of the outstanding principal amount of such non-qualifying capital instruments as of January 1, 2014, in accordance with Table 2 in Schedule HC-R, Part I, item 21.

a. Depository institution holding companies with total consolidated assets of less than $15 billion as of December 31, 2009 and 2010 MHCs:

This item is generally not applicable to depository institution holding companies with total consolidated assets of less than $15 billion and 2010 MHCs that issued and included non-qualifying capital instruments prior to May 19, 2010, because these institutions may include such instruments in additional tier 1 and tier 2 capital as described in Schedule HC-R, Part I, item 20 and 37, respectively.

b. Depository institution holding companies with total consolidated assets of $15 billion or more as of December 31, 2009 that are not 2010 MHCs:

For the case of advanced approaches holding companies, non-qualifying capital instruments that are phased out of tier 1 capital under Table 2 are fully includable in tier 2 capital until December 31, 2015. From January 1, 2016, until December 31, 2021, these holding companies are required to phase out such non-qualifying capital instruments from tier 2 capital in accordance with the percentage in Table 3.

Line Item 39 Total capital minority interest that is not included in tier 1 capital.

(i) All holding companies, except advanced approaches holding companies

Report the aggregate amount of total capital minority interest, calculated as described below and in section 21 of the regulatory capital rules. Non-advanced approaches holding companies are able to include total capital minority interest up to 10 percent of the parent banking organization’s total capital. The 10 percent limitation is measured before the inclusion of any minority interest and any other deductions from and adjustments to the regulatory capital of the parent banking organization described in sections 22(a) and (b) of the capital rule. Total capital minority interest is the portion of total capital in a reporting holding company’s subsidiary not attributable, directly or indirectly, to the parent holding company. Note that a holding company may only include total capital minority interest if the capital instruments issued by the subsidiary meet all of the criteria for capital (qualifying capital instruments).
Table 4—Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital for a depository institution holding company of $15 billion or more

<table>
<thead>
<tr>
<th>Transition period</th>
<th>Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar year 2014</td>
<td>80</td>
</tr>
<tr>
<td>Calendar year 2015</td>
<td>70</td>
</tr>
<tr>
<td>Calendar year 2016</td>
<td>60</td>
</tr>
<tr>
<td>Calendar year 2017</td>
<td>50</td>
</tr>
<tr>
<td>Calendar year 2018</td>
<td>40</td>
</tr>
<tr>
<td>Calendar year 2019</td>
<td>30</td>
</tr>
<tr>
<td>Calendar year 2020</td>
<td>20</td>
</tr>
<tr>
<td>Calendar year 2021</td>
<td>10</td>
</tr>
<tr>
<td>Calendar year 2022</td>
<td>0</td>
</tr>
<tr>
<td>and thereafter</td>
<td></td>
</tr>
</tbody>
</table>

Example and a worksheet calculation: Calculate total capital minority interest that is not included in tier 1 capital includable at the holding company level as follows:

Assumptions:

- This is a continuation of the example for advanced approaches holding companies used in the instructions for Schedule HC-R, Part 1, items 4 and 22.
- Assumptions and calculation from Schedule HC-R, Part I, item 4:
  - Includable common equity tier 1 minority interest (see Schedule HC-R, Part I, item 4) is $9.
  - The parent holding company’s common equity tier 1 capital before minority interest and after deductions and adjustments is $90.
- Assumptions and calculation from Schedule HC-R, Part I, item 22:
  - Includable tier 1 minority interest that is not included in common equity tier 1 minority interest (see Schedule HC-R, Part I, item 22) is $1.1.
  - The parent holding company’s additional tier 1 capital before minority interest and after deductions is $11 ($15 - $4).
  - The parent holding company’s tier 2 capital instruments before minority interest and allowance for loan and lease losses includable in tier 2 capital (or adjusted allowances for credit losses (AACL), as applicable) is $20.
  - Additional tier 2 capital deductions equal $2.
  - The subsidiary’s total capital minority interest (that is, owned by minority shareholders) is $14.
  - Subsidiary A has $8 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).
  - Subsidiary B has $6 of minority interest in the form of tier 2 instruments (that is, owned by minority shareholders).

(ii) Advanced approaches holding companies:

Report the amount of total capital minority interest not included in tier 1 capital, as described below. For each consolidated subsidiary, perform the calculations in steps (1) through (10) below. Sum the results for each holding company subject to the expanded risk-based approach.
### Schedule HC-R

#### (39.i) Non-advanced approaches holding company worksheet

<table>
<thead>
<tr>
<th>(1) Tier 1 capital after deductions and before minority interest + tier 2 capital instruments before minority interest + allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL), as applicable, for regulatory capital purposes that is includable in tier 2 capital - tier 2 capital deductions = Schedule HC-R, Part I, sum of items 26, 37, 38, and 40.a, minus item 43</th>
<th>$101+$20 - $2 = $119</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) Multiply step (1) by 10 percent. This is the maximum includable total capital minority interest from all subsidiaries.</td>
<td>$119 x 10% = $11.9</td>
</tr>
<tr>
<td>(3) Determine the lower of (2) or the total capital minority interest from all subsidiaries.</td>
<td>Minimum of ($11.9 from Step 2 or $38 from the assumptions) = $11.9</td>
</tr>
<tr>
<td>(4) From (3), subtract out the includable common equity tier 1 minority interest reported in Schedule HC-R, Part I, item 4, and includable tier 1 minority interest that is not included in common equity tier 1 minority interest reported in Schedule HC-R, Part I, item 22. This is the “total capital minority interest not included in tier 1 minority interest includable at the reporting holding company’s level” to be included in Schedule HC-R, Part I, item 39.</td>
<td>$11.9 - $9 - $1.1 = $1.8</td>
</tr>
</tbody>
</table>

Consolidated subsidiary and report the aggregate number in this item 39.

**Example and a worksheet calculation:** calculate total capital minority interest that is not included in tier 1 capital includable at the holding company level as follows:

**Assumptions:**
- This is a continuation of the example for all holding companies, except advanced approaches holding companies, used in the instructions for Schedule HC-R, Part I, items 4 and 22.
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the holding company that relate to the subsidiary $1,000 in each case.
  - Subsidiary’s total capital: $130, which is composed of subsidiary’s common equity tier 1 capital of $80, and additional tier 1 capital of $30, and tier 2 capital of $20.
  - Subsidiary’s common equity tier 1 capital owned by minority shareholders: $24.
  - Subsidiary’s additional tier 1 capital owned by minority shareholders: $15.
  - Other relevant numbers are taken from the examples in Schedule HC-R, Part I, items 4 and 22.

#### (39.ii) Advanced approaches holding company worksheet

<table>
<thead>
<tr>
<th>(1) Determine the risk-weighted assets of the subsidiary.</th>
<th>$1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) Using the standardized approach, determine the risk-weighted assets of the reporting institution that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.</td>
<td>$1,000</td>
</tr>
</tbody>
</table>
Schedule HC-R

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3)</td>
<td>Determine the lower of (1) or (2), and multiply that amount by 10.5 percent.</td>
<td>$1,000 x 10.5% = $105</td>
</tr>
<tr>
<td>(4)</td>
<td>Determine the dollar amount of total capital for the subsidiary. If this amount is less than step (3), enter the sum of common equity tier 1, additional tier 1, and total capital minority interest ($54 in this example) in step (9). Otherwise continue on to step (5).</td>
<td>$130</td>
</tr>
<tr>
<td>(5)</td>
<td>Subtract the amount in step (3) from the amount in step (4). This is the “surplus total capital of the subsidiary.”</td>
<td>$130 - $105 = $25</td>
</tr>
<tr>
<td>(6)</td>
<td>Determine the percent of the subsidiary’s total capital instruments that are owned by third parties (the minority shareholders).</td>
<td>$24 + $15 + $15 = $54. Then, $54/$130 = 41.54%</td>
</tr>
<tr>
<td>(7)</td>
<td>Multiply the percentage from step (6) by the dollar amount in step (5). This is the “surplus total capital minority interest of the subsidiary”</td>
<td>41.54% x $25 = $10.39</td>
</tr>
<tr>
<td>(8)</td>
<td>Determine the total amount of total capital minority interest of the subsidiary. Then subtract the surplus total capital minority interest of the subsidiary (step 7) from this amount.</td>
<td>$24 + $15 + $15 = $54. Then $54 - $10.39 = $43.62</td>
</tr>
<tr>
<td>(9)</td>
<td>The “total capital minority interest includable at holding company level” is the amount from step (8) or step (4) where there is no surplus total capital minority interest of the subsidiary.</td>
<td>$43.62 (report the lesser of $43.62 or $54; therefore $43.62)</td>
</tr>
<tr>
<td>(10)</td>
<td>Subtract from (9) any minority interest that is included in common equity tier 1 and additional tier 1 capital. The result is the total capital minority interest not included in tier 1 capital includable in total capital.</td>
<td>$43.62 - ($21 + $9.14) (from examples in items 4 and 22) = $13.48</td>
</tr>
</tbody>
</table>

16. The percentage multiplier in step (3) is the capital ratio necessary for a subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches holding companies must adjust this amount for all applicable capital buffers.

**Line Item 40(a) Allowance for loan and lease losses includable in tier 2 capital.**

Report the portion of the holding company’s allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL) as applicable for regulatory capital purposes that is includable in tier 2 capital. None of the holding company’s allocated transfer risk reserve, if any, is includable in tier 2 capital.

For a holding company that has not adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses and introduces the current expected credit losses methodology (CECL), the holding company’s ALLL for regulatory capital purposes equals Schedule HC, item 4(c), “Allowance for loan and lease losses,” less any allocated transfer risk reserve included in Schedule HC, item 4(c), plus Schedule HC-G, item 3, “Allowance for credit losses on off-balance sheet credit exposures.” For a holding company that has adopted ASU 2016-13, the holding company’s AACL for regulatory capital purposes equals Schedule HI-B, Part II, item 7, col- umns A and B, “Balance end of current period” for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule HI-B, Part II, Memorandum item 6, “Allowance for credit losses on...
Schedule HC-R

Adjusted allowances for credit losses (AACL) includable in tier 2 capital (for institutions subject to the expanded risk-based approach)

other financial assets measured at amortized cost”; less Schedule HC-R, Part II, sum of Memorandum items 5(a), 5(b) and 5(c) “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule HI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule HC-G, item 3, “Allowance for credit losses on off-balance sheet credit exposures.”

A holding company that has adopted ASU 2016-13 and has elected to apply the 3-year CECL transition provision (3-year CECL electing institution) should decrease its AACL by the applicable AACL transitional amount, in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing holding company reduces AACL includable in tier 2 capital by seventy-five percent of its AACL transitional amount during the first year of the transition period, fifty percent of its AACL transitional amount during the second year of the transition period, and twenty-five percent of its AACL transitional amount during the third year of the transition period (see Table 2 in the General Instructions for Schedule HC-R, Part I).

A holding company that has adopted ASU 2016-13 and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing holding company) should decrease its AACL by the applicable modified AACL transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing holding company reduces AACL includable in tier 2 capital by: (1) one hundred percent of its modified AACL transitional amount during the first two years of the transition period, seventy-five percent of its modified AACL transitional amount during the third year of the transition period, fifty percent of its modified AACL transitional amount during the fourth year of the transition period, and twenty-five percent of its modified AACL transitional amount during the fifth year of the transition period (see Example of Application of the 5-Year 2020 CECL Transition Provision for Third Quarter 2020 in the General Instructions for Schedule HC-R, Part I).

The amount to be reported in this item is the lesser of (1) the holding company’s ALLL or AACL, as applicable for regulatory capital purposes, as defined above, or (2) 1.25 percent of the institution’s risk-weighted assets base for the ALLL or AACL calculation as reported in Schedule HC-R, Part II, item 26. In calculating the risk-weighted assets base for this purpose, a holding company would not include items that are deducted from capital under section 22(a). However, a holding company would include risk-weighted asset amounts of items deducted from capital under sections 22(c) through (f) of the regulatory capital rule. While amounts deducted from capital under section 22(c) through (f) are included in the risk-weighted asset base for the ALLL or AACL calculation, as applicable, such amounts are excluded from standardized total risk-weighted assets used in the denominator of the risk-based capital ratios.

The amount, if any, by which a holding company’s ALLL or AACL as applicable for regulatory capital purposes exceeds 1.25 percent of the holding company’s risk-weighted assets base for the ALLL or AACL calculation (as reported in Schedule HC-R, Part II, item 26) should be reported in Schedule HC-R, Part II, item 29, “LESS: Excess allowance for loan and lease losses.”

For a holding company that has not adopted ASU 2016-13, the sum of the amount of ALLL reported in Schedule HC-R, Part I, item 40(a), plus Schedule HC-R, Part II, item 29, must equal Schedule HC, item 4(c), less Schedule HI-B, Part II, Memorandum item 1, plus Schedule HC-G, item 3.

NOTE: Item 40.b is to be completed only by advanced approaches holding companies that exit parallel run. Item 40.b is not applicable to non-advanced approaches holding companies.

Line Item 40(b) Advanced approaches holding companies that exit parallel run only: eligible credit reserves includable in tier 2 capital

Report the amount of eligible credit reserves includable in tier 2 capital as reported in FFIEC 101 Schedule A, item 50.

An advanced approaches holding company that has exited parallel run, has adopted Accounting Standards Update No. 2016-13 (ASU 2016-13) on credit losses, and has elected to apply the 3-year CECL transition provision (3-year CECL electing advanced approaches holding company) should decrease its eligible credit reserves by the applicable eligible credit reserves transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing advanced approaches holding company should reduce the amount

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Schedule HC-R

of its eligible credit reserves by 75 percent of its eligible credit reserves transitional amount during the first year of the transition period, 50 percent of its eligible credit reserves transitional amount during the second year of the transition period, and 25 percent of its eligible credit reserves transitional amount during the third year of the transition period.


NOTE: Item 42.b is to be completed only by advanced approaches holding companies that exit parallel run. Item 42.b is not applicable to non-advanced approaches holding companies.

Line Item 43 LESS: Tier 2 capital deductions

Report total tier 2 capital deductions as the sum of the following elements:

- Tier 2 capital before deductions
- Tier 2 capital after deductions

Tier 2 capital before deductions (for holding companies subject to the expanded risk-based approach)

Report the sum of Schedule HC-R, Part 1, items 37 through 40(a).

NOTE: Item 42.b is to be completed only by advanced approaches holding companies that exit parallel run. Item 42.b is not applicable to non-advanced approaches holding companies.

Line Item 42(b)—Advanced approaches holding companies that exit parallel run only: Tier 2 capital before deductions

Report the sum of Schedule HC-R, Part 1, items 37 through 39, plus item 40(b).

Line Item 43 LESS: Tier 2 capital deductions

Report total tier 2 capital deductions as the sum of the following elements:

- Tier 2 capital before deductions
- Tier 2 capital after deductions

Note that a holding company should report tier 2 capital deductions in Schedule HC-R, Part I, item 43 irrespective of the amount of tier 2 capital before deductions reported in Schedule HC-R, Part I, item 42(a). If holding company does not have a sufficient amount of tier 2 capital before deductions to absorb these deductions, then the holding company must deduct from its tier 1 capital. Therefore, in the case of an advanced approaches holding company with insufficient tier 2 capital for deductions, it will use the generally applicable rules to take deductions on this schedule under the generally applicable rules that apply to all holding companies. It will use FFIEC 101, Schedule A, to calculate its capital requirements under the advanced approaches rule. Therefore, in the case of an advanced approaches holding company with insufficient tier 2 capital to make tier 2 deductions, it will use the corresponding deduction approach and the generally applicable rules to take excess tier 2 deductions from additional tier 1 capital in Schedule HC-R, Part 1, item 24, and if necessary from common equity tier 1 capital in Schedule HC-R, Part 1, item 17. It will use the advanced approaches rules to take deductions on the FFIEC 101 form.

For example, assume tier 2 capital is $100 under the advanced approaches rule and $98 under the generally applicable rules (due to the difference between the eligible credit reserves includable in tier 2 under the advanced approaches, and AALL or applicable, includable in tier 2 capital under the standardized approach). If the required deduction from tier 2 capital is $110, then the advanced approaches holding company would report $0 in item 44(a), “Tier 2 capital.”
Schedule HC-R

Holding companies not subject to the expanded risk-based approach

A holding company would add $10 to the required additional tier 1 capital deductions (on FFIEC 101, Schedule A, line 42, and FFIEC 101, Schedule A, line 27, if necessary), and would add $12 to its required additional tier 1 capital deductions for the calculation of the standardized approach regulatory capital ratios in this schedule (Schedule HC-R, item 24, and Schedule HC-R, item 17, if necessary).

(i) Non-advanced approaches holding companies

(1) Investments in own tier 2 capital instruments.

Report the holding company’s investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly.

A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in a holding company’s own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;

(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and

(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the holding company’s internal control processes.

(2) Reciprocal cross-holdings in the capital of financial institutions.

Include investments in the tier 2 capital instruments of other financial institutions that the holding company holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other’s capital instruments.

(ii) Advanced approaches holding companies

(1) Investments in own tier 2 capital instruments.

Report the holding company’s investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly. Also report investments in (including any contractual obligation to purchase) its own covered debt instruments, as applicable, whether held directly or indirectly.

Investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold to be deducted from tier 2.

Report the total amount of investments in the capital of unconsolidated financial institutions in the form of tier 2 capital that exceed the 25 percent threshold.

Calculate the amount as follows:

(1) Determine the amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs.

(2) If the amount in (1) is greater than 25 percent of Schedule HC-R, Part 1, item 12 (Column A), report the difference across Schedule HC-R, Part I, items 13.a, 24 or 43, depending on the tier of capital the investments in the capital of unconsolidated financial institutions qualifies. The holding company can elect which investments it must deduct and which it must risk weight. Depending on the holding company’s election and the component of capital for which the underlying instrument would qualify will determine if it will be deducted and reported in Schedule HC-R, Part I, item 13.a or be deducted and reported in Schedule HCR, Part I, item 24 or 43.

(3) If the amount in (1) is less than 25 percent of Schedule HC-R, Part I, item 12 (Column A), no deduction is needed.

See Schedule HC-R, Part I, item 13.a for an example of how to deduct amounts of investments in the capital of unconsolidated financial institutions that exceed the 25 percent threshold.

(4) Other adjustments and deductions.

Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the Board.

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A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in an institution’s own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;

(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and

(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, the institution’s internal control processes, and their related internal control processes.

Also report investments in (including any contractual obligation to purchase) own covered debt instruments, as applicable, whether held directly or indirectly.

(2) Reciprocal cross-holdings in the capital of financial institutions.

Include investments in the tier 2 capital instruments of other financial institutions that the institution holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other’s capital instruments.

Also include investments in the covered debt instruments of other financial institutions that the holding company holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other’s instruments.

(3) A global systemically important BHC, as defined in 12 CFR 217.2, or a Board-regulated holding company that is a subsidiary of a global systemically important banking organization, as defined in 12 CFR 252.2: investments in non-qualifying excluded covered debt instruments.

Report the amount of any investment, on a gross long basis, in a covered debt instrument that was originally designated as an excluded covered debt instru-
(ii) If the amount in (i) is greater than 5 percent of the amount of Schedule HC-R, item 12, report the difference, on a net long position basis in accordance with §217.22(h)(1), in steps (2) and (3) below as the holding company’s amount of “covered debt instruments.”

(2) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1, tier 2 capital, and covered debt instruments.

(3) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital and covered debt instruments.

(4) If (2) is greater than the 10 percent threshold for non-significant investments (Schedule HC-R, item 11, step (4)), then, multiply the difference by the ratio of (3) over (2). Report this product in this line item.

(5) If (2) is less than the 10 percent threshold for non-significant investments, enter zero.

(5) Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from tier 2 capital.

Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital and covered debt instruments.

(6) Other adjustments and deductions.

Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the regulatory capital rules of the Board.

Line Item 44(a) Tier 2 capital.

Report the greater of Schedule HC-R, Part 1, item 42(a) less item 43, or zero.

NOTE: Item 44.b is to be completed only by advanced approaches holding companies that exit parallel run. Item 44.b is not applicable to non-advanced approaches holding companies.

Line Item 44(b)—Advanced approaches holding companies that exit parallel run only: Tier 2 capital.

Report the greater of Schedule HC-R, Part 1, item 42(b) less item 43, or zero.

Total capital

Line Item 45(a) Total capital.

Report the sum of Schedule HC-R, Part 1, items 26 and 44(a).

NOTE: Item 45.b is to be completed only by advanced approaches holding companies that exit parallel run. Item 45.b is not applicable to non-advanced approaches holding companies.

Line Item 45(b)—Advanced approaches holding companies that exit parallel run only: Total capital.

Report the sum of Schedule HC-R, Part 1, items 26 and 44(b).

Total risk-weighted

Line Item 46(a) Total risk-weighted assets.

Report the amount of total risk-weighted assets using the standardized approach (as reported in Schedule HC-R, Part II, item 31).

NOTE: Item 46.b is to be completed only by advanced approaches holding companies that exit parallel run. Item 46.b is not applicable to non-advanced approaches holding companies.

Line Item 46(b)—Advanced approaches Holding companies that exit parallel run only: Total risk-weighted assets using advanced approaches rules.

Report the amount from FFIEC 101 Schedule A, item 60.

Risk-based capital ratios

Holding companies that are non-advanced approaches holding companies must report Schedule HC-R, Part 1, items 47 through 49, Column A, only. Column B does not apply to these holding companies.

Advanced approaches holding companies that exit parallel run only: must report Schedule HC-R, Part 1, items 47 through 49, Columns A and B, as described below.

Holding companies subject to the expanded risk-based approach.
Schedule HC-R
Schedule HC-R

**Line Item 47  Common equity tier 1 capital ratio.**

Report the holding company’s common equity tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.

Column A: divide Schedule HC-R Part I, item 19, column A or B, as applicable, by item 46(a).

Advanced approaches holding companies that exit parallel run only: Column B, divide Schedule HC-R, Part I, item 19, column B, by item 46(b). The lower of the reported capital ratios in column A and Column B will apply for prompt corrective action purposes.

**Line Item 48  Tier 1 capital ratio.**

Report the holding company’s tier 1 risk-based capital ratio as a percentage, rounded to four decimal places.


Advanced approaches holding companies that exit parallel run only: Column B, divide Schedule HC-R, Part I, item 26 by item 46(b). The lower of the reported capital ratios in this item 48, column A and Column B will apply for prompt corrective action purposes.

**Line Item 49  Total capital ratio.**

Report the holding company’s total risk-based capital ratio as a percentage, rounded to four decimal places.

Column A: divide Schedule HC-R, Part I, item 45(a) by item 46(a).

Advanced approaches holding companies that exit parallel run only: Column B, divide Schedule HC-R, Part I, item 45(b) by item 46(b). The lower of the reported capital ratios in this item 49, column A and Column B will apply for prompt corrective action purposes.

**Capital Buffer for Holding Companies Not Subject to the Capital Plan Rule (items 50-52)**

**For all holding companies:** In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, a holding company must hold an institution specific capital buffer\(^\text{17}\) above its minimum risk-based capital requirements.

**Line Item 50  Capital conservation buffer.**

Report the holding company’s capital conservation buffer as a percentage, rounded to four decimal places. Except as described below, the capital conservation buffer is equal to the lowest of ratios of (1), (2), (3) below:

For example, the capital buffer to be reported in this item 50 for the December 31, 2020, report date would be based on the capital ratios reported in Schedule HC-R, Part I, of the FRY9C Report for December 31, 2020.

**For all holding companies, except advanced approaches holding companies not subject to the Capital Plan Rule, that exit parallel run:**

(1) Schedule HC-R, Part I, item 47, Column A, less 4.5000, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;

(2) Schedule HC-R, Part I, item 48, Column A, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rule;

(3) Schedule HC-R, Part I, item 49, Column A, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the holding company’s capital conservation buffer is zero.

**For advanced approaches holding companies not subject to the Capital Plan Rule that exit parallel run only:**

(1) The lower of Schedule HC-R, Part I, item 47, column A and column B, less 4.5000 percent, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;

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\(^{17}\) Advanced approaches holding companies, including those that have not exited parallel run, and Category III holding companies will need to consult the regulatory capital rules if the countercyclical capital buffer is in place or if the holding company is subject to countercyclical capital buffers in other jurisdictions. The total applicable capital buffer requirement applicable to an advanced approaches holding company or Category III holding company as of the quarter-end report date should be reported in Schedule HC-R, Part I, item 50.
Schedule HC-R

(2) The lower of Schedule HC-R, Part I, item 48, column A and column B, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; and

(3) The lower of Schedule HC-R, Part I, item 49, column A and column B, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., is negative), the holding company’s capital conservation buffer is zero.

NOTE: Holding companies that are not subject to the capital plan rule must complete items 51 and 52 if the amount in item 50 is less than or equal to the required minimum capital conservation buffer of 2.5000 percent (plus any other applicable capital buffers, if the institution is an advanced approaches holding company).

Line Item 51: Eligible retained income

Report the greater of (1) the reporting holding company’s net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of the reporting holding company’s net income over the four preceding calendar quarters. (See the instructions for Schedule HC-R, Part I, item 52, for the definition of “distributions” from section 2 of the regulatory capital rules.)

For purposes of this item 51, the four preceding calendar quarters refers to the calendar quarter ending on the last day of the current reporting period and the three preceding calendar quarters as illustrated in the example below. The average of an holding company’s net income over the four preceding calendar quarters refers to the average of three-month net income for the calendar quarter ending on the last day of the current reporting period and the three-month net income for the three preceding calendar quarters as illustrated in the example below.

Example and a worksheet calculation:

Assumptions:

• The holding company reported the following on its FR Y-9C reports in Schedule HI, Income Statement, item 14, “Net income (loss) attributable to bank (item 12 minus item 13)”:

<table>
<thead>
<tr>
<th>FR Y-9C Report Date</th>
<th>Amount Reported in Item 14</th>
<th>Three-Month Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2019</td>
<td>$400 (A)</td>
<td>$400</td>
</tr>
<tr>
<td>June 30, 2019</td>
<td>$900 (B)</td>
<td>$500 (B-A)</td>
</tr>
<tr>
<td>September 30, 2019</td>
<td>$1,500 (C)</td>
<td>$600 (C-B)</td>
</tr>
<tr>
<td>December 31, 2019</td>
<td>$1,900 (D)</td>
<td>$400 (D-C)</td>
</tr>
<tr>
<td>March 31, 2020</td>
<td>$200 (E)</td>
<td>$200 (E)</td>
</tr>
</tbody>
</table>

• The distributions and associated tax effects not already reflected in net income (e.g., dividends declared on the holding company’s common stock between April 1, 2019, and March 31, 2020) in this example are $400 in each of the four preceding calendar quarters.

<table>
<thead>
<tr>
<th></th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$500</td>
<td>$600</td>
<td>$400</td>
<td>$200</td>
</tr>
<tr>
<td>Adjustments for distributions and associated tax effects not already reflected in net income</td>
<td>($400)</td>
<td>($400)</td>
<td>-400</td>
<td>-400</td>
</tr>
<tr>
<td>Adjusted Net Income (Net Income - Adjustments)</td>
<td>$100</td>
<td>$200</td>
<td>$0</td>
<td>($200)</td>
</tr>
</tbody>
</table>

(1) Calculate a holding company’s net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income.

$100 + $200 + $0 + ($200) = $100
Schedule HC-R

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(2)</td>
<td>Calculate the average of a holding company’s three-month net income over the four preceding calendar quarters.</td>
</tr>
<tr>
<td></td>
<td>(\frac{($500 + $600 + $400 + $200)}{4} = $425*)</td>
</tr>
<tr>
<td>(3)</td>
<td>Take the greater of step (1) and step (2) and report the amount in Schedule HC-R, Part I, item 51.</td>
</tr>
<tr>
<td></td>
<td>$425</td>
</tr>
</tbody>
</table>

*From a practical perspective, a holding company may use the year-to-date net income reflected in Schedule HI, item 14, for December 31, 2019; subtract from it the net income reflected in Schedule HI, item 14, for March 31, 2019; and then add the net income in Schedule HI, item 14, for March 31, 2020, to calculate the numerator in step 2, above. For the example above, the average of a holding company’s three month net income over the four preceding calendar quarters would be: \((1,900 \text{ (D)} - 400 \text{ (A)} + 200 \text{ (E)})\) divided by 4 = $425.

**Line Item 52  Distributions and discretionary bonus payments during the quarter.**

Holding companies must complete this item only if the amount of its institution specific capital buffer, reported as of the previous calendar quarter-end report date was less than its applicable required buffer percentage on that previous calendar quarter-end report date. For an institution that must complete this item 52, report the amount of distributions and discretionary bonus payments during the calendar quarter ending on the report date.

For example

- A holding company must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending June 30, 2020, in this item 52 in its June 30, 2020, FR Y-9C report only if the amount of its capital conservation buffer as reported in Schedule HC-R, Part I, item 50, in its March 31, 2020, FR Y-9C report was less than or equal to 2.5000 percent.

As defined in section 2 of the regulatory capital rules, “distribution” means:

1. A reduction of tier 1 capital through the repurchase of a tier 1 capital instrument or by other means, except when a holding company, within the same quarter when the repurchase is announced, fully replaces a tier 1 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for:
   1. A common equity tier 1 capital instrument if the instrument being repurchased was part of the holding company’s common equity tier 1 capital, or
   2. A common equity tier 1 or additional tier 1 capital instrument if the instrument being repurchased was part of the holding company’s tier 1 capital;

2. A reduction of tier 2 capital through the repurchase, or redemption prior to maturity, of a tier 2 capital instrument or by other means, except when a holding company, within the same quarter when the repurchase or redemption is announced, fully replaces a tier 2 capital instrument it has repurchased by issuing another capital instrument that meets the eligibility criteria for a tier 1 or tier 2 capital instrument;

3. A dividend declaration or payment on any tier 1 capital instrument;

4. A dividend declaration or interest payment on any tier 2 capital instrument if the holding company has full discretion to permanently or temporarily suspend such payments without triggering an event of default; or

5. Any similar transaction that the Federal Reserve determines to be in substance a distribution of capital.

As defined in section 2 of the regulatory capital rules, “discretionary bonus payment” means a payment made to an executive officer of an institution, where:

1. The holding company retains discretion as to whether to make, and the amount of, the payment until the payment is awarded to the executive officer;

2. The amount paid is determined by the holding company, without prior promise to, or agreement with, the executive officer; and

3. The executive officer has no contractual right, whether express or implied, to the bonus payment.

As defined in section 2 of the regulatory capital rules, “executive officer” means a person who holds the title or,
without regard to title, salary, or compensation, performs the function of one or more of the following positions: president, chief executive officer, executive chairman, chief operating officer, chief financial officer, chief investment officer, chief legal officer, chief lending officer, chief risk officer, or head of a major business line, and other staff that the Board of directors of the holding company deems to have equivalent responsibility.

**Supplementary Leverage Ratio**

**Line Item 53**  Advanced approaches holding companies and holding companies subject to category III capital standards only: Supplementary leverage ratio.

**Long-Term Debt and Total Loss-Absorbing Capacity (TLAC)**

Line items 54 and 55 should only be reported by a global systemically important BHC, as defined in 12 CFR 217.2, (top-tier BHC of U.S. GSIB) or an intermediate holding company that is required to be established pursuant to 12 CFR 252.153 and is controlled by a global systemically important foreign banking organization, as defined in 12 CFR 252.2 (IHC of foreign GSIB).

**Line Item 54**  Outstanding eligible long-term debt

(i) **Top-tier BHCs of U.S. GSIBs:**

Report the outstanding eligible external long-term debt amount, which is the sum of:

1. 100 percent of the amount due to be paid of unpaid principal of the outstanding eligible debt securities issued by the top-tier BHC of the U.S. GSIB in greater than or equal to 730 days (two years); and
2. 50 percent of the amount due to be paid of unpaid principal of the outstanding eligible debt securities issued by the top-tier BHC of the U.S. GSIB in greater than or equal to 365 days (one year) and less than 730 days (two years); and
3. Zero percent of the amount due to be paid of unpaid principal of the outstanding eligible debt securities issued by the top-tier BHC of the U.S. GSIB in less than 365 days (one year).

See 12 CFR 252.61 for the definition of eligible debt security under the Board’s TLAC rule. See 12 CFR 252.62(b)(2) for the definition of the date on which principal is due to be paid on an outstanding eligible debt security is calculated.

(ii) **IHCs of foreign GSIBs:**

Report the outstanding eligible long-term debt amount, which is the sum of:

1. 100 percent of the amount of the outstanding eligible Covered IHC debt securities issued by the IHC due to be paid in greater than or equal to 730 days (two years); and
2. 50 percent of the amount of the outstanding eligible Covered IHC debt securities issued by the IHC due to be paid in greater than or equal to 365 days (one year) and less than 730 days (two years).
3. Zero percent of the amount of the outstanding eligible Covered IHC debt securities issued by the IHC due to be paid in less than 365 days (one year).

See 12 CFR 252.161 for the definition of eligible Covered IHC debt security under the Board’s TLAC rule. See 12 CFR 252.162(b)(2) for the definition of the date on which principal is due to be paid on an outstanding eligible debt security is calculated.

**Line Item 55**  Total loss-absorbing capacity

(i) **Top-tier BHCs of U.S. GSIBs:**

Report external total loss-absorbing capacity, which is the sum of:

1. The top-tier BHC of the U.S. GSIB’s common equity tier 1 capital, as reported on Schedule HC-R, Part I, item 19, minus any common equity tier 1 minority interest, as reported on Schedule HC-R, Part I, item 4;
2. The top-tier BHC of the U.S. GSIB’s additional tier 1 capital, as reported on Schedule HC-R, Part I, item 25, minus any additional tier 1 minority interest, as reported on Schedule HC-R, Part I, item 22; and
3. The top-tier BHC of the U.S. GSIB’s outstanding eligible external long-term debt amount, as reported in item 54, plus 50 percent of the amount due to be paid of unpaid principal of outstanding eligible debt securities issued by the top-tier BHC of the U.S. GSIB in greater than or equal to 365 days (one year) but less than 730 days (two years).

(ii) **IHCs of foreign GSIBs identified as non-resolution IHCs pursuant to 12 CFR 252.164:**
Schedule HC-R

Report total loss absorbing capacity, which is the sum of:

1. The IHC’s common equity tier 1 capital, as reported on Schedule HC-R, Part I, item 19 (excluding any common equity tier 1 minority interest, as reported on Schedule HC-R, Part I, item 4), held by a company that is incorporated or organized outside of the United States and that directly or indirectly controls the IHC;

2. The IHC’s additional tier 1 capital, as reported on Schedule HC-R, Part I, item 25 (excluding any additional tier 1 minority interest, as reported on Schedule HC-R, Part I, item 22), held by a company that is incorporated or organized outside of the United States and that directly or indirectly controls the IHC; and

3. The IHC’s outstanding eligible long-term debt amount, as reported in item 54, plus 50 percent of the amount due to be paid in greater than or equal to 365 days (one year) but less than 730 days (two years).

(iii) IHCs of foreign GSIBs identified as resolution
IHCs pursuant to 12 CFR 252.164:

Report total loss absorbing capacity, which is the sum of:

1. The IHC’s common equity tier 1 capital, as reported on Schedule HC-R, Part I, item 19, minus any common equity tier 1 minority interest, as reported on Schedule HC-R, Part I, item 4;

2. The IHC’s additional tier 1 capital, as reported on Schedule HC-R, Part I, item 25, minus any additional tier 1 minority interest, as reported on Schedule HC-R, Part I, item 22; and

3. The IHC’s outstanding eligible long-term debt amount, as reported in item 54, plus 50 percent of the amount due to be paid of unpaid principal of outstanding eligible Covered IHC debt securities issued by the IHC in greater than or equal to 365 days (one year) but less than 730 days (two years).

Long-Term Debt and Total Loss-Absorbing Capacity
Ratios

Line items 56 through 59 should only be reported by a globally systemically important foreign banking organization, as defined in 12 CFR 252.2 (IHC of foreign GSIB).

These line items should be reported as ratios as a percentage, rounded to four decimal places.

Line Item 56 LTD and TLAC total risk-weighted
assets ratios.

Column A: divide Schedule HC-R Part I, item 54 by item 46(a).

Column B: divide Schedule HC-R Part I, item 55 by item 46(a).

Line Item 57 LTD and TLAC total risk-weighted
assets ratios using advanced approaches rule.

Only top-tier BHCS of U.S. GSIBs report this line item.

Column A: divide Schedule HC-R Part I, item 54 by item 46(b).

Column B: divide Schedule HC-R Part I, item 55 by item 46(b).

Line Item 58 LTD and TLAC leverage ratios

Note: only IHCs of foreign GSIBs report this line item.

Column A: divide Schedule HC-R Part I, item 54 by item 30.

Column B: divide Schedule HC-R Part I, item 55 by item 30.

Line Item 59 LTD and TLAC supplementary
leverage ratios

Only holding companies subject to Category I, II, or III standards report this line item.

Column A: divide Schedule HC-R Part I, item 54 by FFIEC 101 Schedule A, Table 2, item 2.21.

Column B: divide Schedule HC-R Part I, item 55 by FFIEC 101 Schedule A, Table 2, item 2.21.

Risk-Based Capital Buffer for Holding Companies
Subject to the Capital Plan Rule Only:

For Column B represents buffer calculations under the advanced approaches.
Line Item 60  Capital conservation buffer requirement (sum of items 60.a through 60.c)

Line Item 60(a) of which: Stress capital buffer of 2.5000 percent (for advanced approaches)

Column A: Report the holding company’s stress capital buffer requirement as determined under 12 CFR 225.8.

Column B: Report 2.5000 percent, if applicable

Line Item 60(b) of which: GSIB surcharge (if applicable)

Column A: Report the holding company’s GSIB surcharge as determined under 12 CFR 217.11 (c), if applicable.

Column B: Report the holding company’s GSIB surcharge as determined under 12 CFR 217.11 (c), if applicable.

Line Item 60(c) of which: Countercyclical capital buffer amount (if applicable)

Column A: Report the countercyclical capital buffer amount as determined under 12 CFR 217.11 (b). If applicable, report that amount reported in FFIEC 101, Schedule A, item 66.

Column B: Report the countercyclical capital buffer amount as determined under 12 CFR 217.11 (b). If applicable, report that amount reported in FFIEC 101, Schedule A, item 66.

Line Item 61  Capital conservation buffer

Column A: Report the holding company’s standardized approach capital conservation buffer as a percentage, rounded to four decimal places. Except as described below, the capital conservation buffer is equal to the lowest of the following ratios:

(1) Schedule HC-R, Part I, item 47, Column A, less 4.5000, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;

(2) Schedule HC R, Part I, item 48, Column A, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules;

(3) Schedule HC-R, Part I, item 49, Column A, less 8.0000, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

However, if any of the three ratios calculated above is less than zero (i.e., negative), the holding company’s standardized approach capital conservation buffer is zero.

For example, for the December 31, 2020 report date, the standardized approach capital conservation buffer reported in item 61 would be equal to the lower of (1), (2), and (3) (floored at zero), using items 47, 48, and 49, respectively, as reported for the December 31, 2020 report date.

Column B: Report the holding company’s advanced approaches capital conservation buffer as a percentage, rounded to four decimal places. Except as described below, the advanced approaches capital conservation buffer is equal to the lowest of the following ratios:

(1) Schedule HC-R, Part I, item 47, Column B, less 4.5000, which is the minimum common equity tier 1 capital ratio requirement under section 10 of the regulatory capital rules;

(2) Schedule HC R, Part I, item 48, Column B, less 6.0000 percent, which is the minimum tier 1 capital ratio requirement under section 10 of the regulatory capital rules; schedule HC-R, Part I, item 49, Column B, less 8.0000 percent, which is the minimum total capital ratio requirement under section 10 of the regulatory capital rules.

TLAC Buffers

Line item 62(a)  TLAC risk-weighted buffer.

In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, a top-tier BHC of a U.S. GSIB and the IHC of a foreign GSIB must hold a TLAC buffer above its minimum risk-based TLAC requirements.

The amount reported in Schedule HC-R, Part I, item 62(a) must be greater than the following:

Top-tier BHCs of U.S. GSIBs: the sum of 2.5 percent, any applicable countercyclical capital buffer pursuant to 12 CFR 217.11(b) (expressed as a percentage), and its...
Schedule HC-R

method 1 capital surcharge pursuant to subpart H of Regulation Q (12 CFR 217.400 through 217.406).

IHCs of Foreign GSIBs: the sum of 2.5 percent and any applicable countercyclical capital buffer pursuant to 12 CFR 217.11(b) (expressed as a percentage).

Otherwise, the holding company will face limitations on distributions and certain discretionary bonus payments and will be required to complete Schedule HC-R Part I, items 66 through 69.

(i) Top-tier BHCs of U.S. GSIBs:

Report the top-tier BHC’s TLAC risk-weighted buffer as a percentage, rounded to four decimal places, which is calculated as:

The top-tier BHC’s common equity tier 1 capital ratio (the lower of Schedule HC-R, Part I, item 47, Column A and Column B) (expressed as a percentage), minus the greater of zero and the following amount:

(1) 18 percent; minus

(2) The ratio (expressed as a percentage) of the top tier BHC’s additional tier 1 capital (as reported on Schedule HC-R, Part I, item 25), minus any additional tier 1 minority interest (as reported on Schedule HC-R, Part I, item 22), to its total risk-weighted assets (the larger of Schedule HC-R, Part I, items 46.a and 46.b); and minus

(3) The ratio (expressed as a percentage) of the global systemically important BHC’s outstanding eligible external long-term debt amount (as reported on Schedule HC-R, Part I, item 54) to total risk-weighted assets (the larger of Schedule HC-R, Part I, items 46.a and 46.b).

If either of the TLAC total risk weighted asset ratios, as reported in line item 56, Column B, or item 57, Column B, are less than or equal to 16 percent, the GSIB’s TLAC risk-weighted buffer level should be reported as zero.

(ii) IHCs of foreign GSIBs—has been identified as a non-resolution IHC pursuant to 12 CFR 252.164:

Report the IHC’s TLAC risk-weighted buffer as a percentage, rounded to four decimal places, which is calculated as:

The IHC’s common equity tier 1 capital ratio (the lower of Schedule HC-R, Part I, item 47, Column A and Column B, if applicable) (expressed as a percentage), minus the greater of zero and the following amount:

(1) 16 percent; minus

(2) The ratio (expressed as a percentage) of the IHC’s additional tier 1 capital (as reported on Schedule HC-R, Part I, item 25), minus any additional tier 1 minority interest (as reported on Schedule HC-R, Part I, item 22), held by a company that is incorporated or organized outside of the United States and that directly or indirectly controls the IHC, to its total risk-weighted assets (the larger of Schedule HC-R, Part I, items 46.a and 46.b, if applicable); and minus

(3) The ratio (expressed as a percentage) of the IHC’s outstanding eligible long-term debt amount (as reported on Schedule HC-R, Part I, item 54) to total risk-weighted assets (the larger of Schedule HC-R, Part I, items 46.a and 46.b, if applicable).

If the TLAC total risk weighted asset ratio, as reported in line item 56, Column B, or, if applicable, item 57, Column B, are less than or equal to 16 percent, the IHC’s TLAC risk-weighted buffer level should be reported as zero.

(iii) IHCs of foreign GSIBs—has been identified as a resolution IHC pursuant to 12 CFR 252.164:

Report the IHC’s TLAC risk-weighted buffer as a percentage, rounded to four decimal places, which is calculated as:

The IHC’s common equity tier 1 capital ratio (the lower of Schedule HC-R, Part I, item 47, Column A and Column B, if applicable) (expressed as a percentage), minus the greater of zero and the following amount:

(1) 18 percent; minus

(2) The ratio (expressed as a percentage) of the IHC’s additional tier 1 capital (as reported on Schedule HC-R, Part I, item 25), minus any additional tier 1 minority interest (as reported on Schedule HC-R, Part I, item 22), to its total risk-weighted assets (the larger of Schedule HC-R, Part I, items 46.a and 46.b, if applicable); and minus

(3) The ratio (expressed as a percentage) of the IHC’s outstanding eligible long-term debt amount (as reported on Schedule HC-R, Part I, item 54) to total risk-weighted assets (the larger of Schedule HC-R, Part I, items 46.a and 46.b, if applicable).
If the TLAC total risk weighted asset ratio, as reported in line item 56, Column B, or, if applicable, item 57, Column B, are less than or equal to 18 percent, the IHC’s TLAC risk-weighted buffer level should be reported as zero.

**Line Item 62(b) TLAC leverage buffer.**

Line item 62(b) should only be reported by top-tier BHCs of U.S. GSIBs.

In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, a top-tier BHC of a U.S. GSIB must hold a TLAC buffer above its minimum leverage TLAC requirements greater than 2.0 percent.

Otherwise, the top-tier BHC of a U.S. GSIB will face limitations on distributions and certain discretionary bonus payments and will be required to complete Schedule HC-R Part I, items 66 through 69.

Report the top-tier BHC’s TLAC leverage buffer as a percentage, rounded to four decimal places, which is calculated as:

The top-tier BHC’s supplementary leverage ratio (as reported on Schedule HC-R, Part I, item 53) (expressed as a percentage), minus the greater of zero and the following amount:

1. 7.5 percent; minus
2. The ratio (expressed as a percentage) of the top-tier BHC’s outstanding eligible external long-term debt amount to total leverage exposure (as reported on Schedule HC-R, Part I, item 59, Column A).

If the TLAC supplementary leverage ratio, as reported in line item 59, Column B, is less than or equal to 7.5 percent, the top-tier BHC’s external TLAC leverage buffer level should be reported as zero.

**Leverage Buffer and Requirements for Holding Companies Subject to the Capital Plan Rule**

**Line Item 64 Leverage buffer requirement (if applicable)**

All GSIB holding companies report 2.0000 percent.

All non-GSIB holding companies report 0.0000 percent.

**Line Item 65 Leverage ratio buffer (if applicable)**

For all GSIB holding companies, report the leverage buffer as a percentage, rounded to four decimal places, if applicable, from FFIEC 101 Schedule A, Table 2, Item 2.23.

The leverage buffer is equal to Schedule HC-R, item 53, less 3.0000 percent, which is the minimum leverage buffer requirement under section 10(a)(5) of the regulatory capital rules. However, if the holding company’s leverage buffer calculated above is less than zero (i.e., is negative), the holding company’s leverage buffer is zero.

**Maximum Payout Ratios and Amounts for Holding Companies Subject to the Capital Plan Rule:**

**Line Item 66 Eligible retained income.**

Report the amount of eligible retained income as the greater of (1) a holding company’s net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of holding company’s net income over the four preceding calendar quarters. (See the instructions for Schedule HC-R, Part I, item 52, for the definition of “distributions” from section 2 of the regulatory capital rules.)

For Schedule HC-R, Part I, item 59, the four preceding calendar quarters refers to the calendar quarter ending on the last date of the reporting period and the three preceding calendar quarters as illustrated in the example below. The average of an holding company’s net income over the four preceding calendar quarters refers to average of three-month net income for the calendar quarter ending on the last date of the reporting period and the three-month net income for the three preceding calendar quarters as illustrated in the example below.

**Example and a worksheet calculation:**

**Assumptions:**

- Eligible retained income is calculated for FR Y-9C report date of March 31, 2021.

---

Holding companies subject to the expanded risk-based approach.
Schedule HC-R

- The holding company reported the following on its FR Y-9C in Schedule HI, Income Statement, item 14, “Net income (loss) attributable to holding company (item 12 minus item 13)”:

<table>
<thead>
<tr>
<th>FR Y-9C Report Date</th>
<th>Amount Reported in Item 14</th>
<th>Three Month Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2020</td>
<td>$400 (A)</td>
<td>$400</td>
</tr>
<tr>
<td>June 30, 2020</td>
<td>$900 (B)</td>
<td>$500 (B-A)</td>
</tr>
<tr>
<td>September 30, 2020</td>
<td>$1,500 (C)</td>
<td>$600 (C-B)</td>
</tr>
<tr>
<td>December 31, 2020</td>
<td>$1,900 (D)</td>
<td>$400 (D-C)</td>
</tr>
<tr>
<td>March 31, 2021</td>
<td>$200 (E)</td>
<td>$200 (E)</td>
</tr>
</tbody>
</table>

- The distributions and associated tax effects not already reflected in net income (e.g., dividends declared on the holding company’s common stock between April 1, 2020, and March 31, 2021) in this example are $400 per each of the four preceding calendar quarters.

<table>
<thead>
<tr>
<th></th>
<th>Q2 2020</th>
<th>Q3 2020</th>
<th>Q4 2020</th>
<th>Q1 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$500</td>
<td>$600</td>
<td>$400</td>
<td>$200</td>
</tr>
<tr>
<td>Adjustments for</td>
<td>($400)</td>
<td>($400)</td>
<td>($400)</td>
<td>($400)</td>
</tr>
<tr>
<td>distributions and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>associated tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>effects not already</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reflected in net</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted Net</td>
<td>$100</td>
<td>$200</td>
<td>$0</td>
<td>($200)</td>
</tr>
<tr>
<td>Income (Net Income –</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Calculate a holding company’s net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income: \[
\frac{100 + 200 + 0 + (-200)}{4} = 100
\]

(2) Calculate the average of a holding company’s three-month net income over the four preceding calendar quarters: \[
\frac{500 + 600 + (400 + 200)}{4} = 425
\]

(3) Take the greater of step (1) and step (2) and report in Schedule HC-R, Part I, item 51.

$425

* From a practical perspective, a holding company can use the year-to-date net income reflected in Schedule HI, item 14, for December 31, 2020, subtract from it the net income reflected in Schedule HI, item 14, for March 31, 2020, and then add the net income in Schedule HI, item 14, for March 31, 2021 to calculate the numerator in the step 2, above. For the example above, the average of a holding company’s three-month net income over the four preceding calendar quarters: \[
\frac{1,900 (D) - 400 (A) + 200 (E) }{4} = 425
\]

Line Item 67 Maximum payout ratio

Report the maximum payout ratio for the reporting institution, which corresponds to the lowest ratio determined by its standardized approach capital conservation buffer; if applicable, advanced approaches capital conservation buffer; and, if applicable, leverage buffer; as set forth in Table 2 to 12 CFR 217.11.

Line Item 68 Maximum payout amount

Report the maximum payout amount, equal to the holding company’s eligible retained income (item 59) multiplied by the maximum payout ratio reported in item 60.

For example, in order to determine the maximum payout amount that a firm may pay in capital distributions and discretionary bonus payments for the second quarter of 2021, a firm would multiply its applicable maximum payout ratio by its eligible retained income. The eligible retained income used to calculate the maximum payout...
amount for the period from April 1, 2021 to June 30, 2021 would be based on the firm’s net income for the four calendar quarters ending on March 31, 2021 and the maximum payout ratio would be determined based on the capital ratios of the firm as of March 31, 2020 (as described in item 60). Firms that are subject to stress buffer requirements are expected to know their capital positions on a daily basis. If a firm has any uncertainty regarding its quarter-end capital ratios prior to filing its regulatory reports, it should be conservative with capital distributions (including buybacks) during the beginning of a calendar quarter in order to avoid a situation in which it distributes more than the amount permitted under the capital rule.

**Line Item 69 Distributions and discretionary bonus payments during the quarter.**

Report the amount of distributions and discretionary bonus payments made during the calendar quarter ending on the report date.

For example, for purposes of the December 31, 2020, report date, report in item 62 the distributions and of holding company balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items, and unsettled transactions to the risk weight categories in columns C through Q (and, for items 1 through 10 only, to the items adjusted from the totals reported in Schedule HC-R, Part II, column A in column B). In general, the aggregate amount allocated to each risk-weight category is then multiplied by the risk weight associated with that category. The resulting risk-weighted values from each of the risk categories are added together, and generally this sum is the Holding company total risk-weighted assets, which comprises the denominator of the risk-based capital ratios. 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 Board’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, the holding company’s carrying value of the exposure.

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

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18. Not including: (1) an available-for-sale (AFS) or held-to-maturity (HTM) security where the holding company has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule HC-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.

19. 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).

20. Where the holding company has made the AOCI opt-out election, accrued but uncollected interest and fees reported in Schedule HC, item 11, “Other assets,” associated with AFS or HTM debt securities that are not
Schedule HC-R

amount for the period from April 1, 2021 to June 30, 2021 would be based on the firm’s net income for the four calendar quarters ending on March 31, 2021 and the maximum payout ratio would be determined based on the capital ratios of the firm as of March 31, 2020 (as described in item 60). Firms that are subject to stress buffer requirements are expected to know their capital positions on a daily basis. If a firm has any uncertainty regarding its quarter-end capital ratios prior to filing its regulatory reports, it should be conservative with capital distributions (including buybacks) during the beginning of a calendar quarter in order to avoid a situation in which it distributes more than the amount permitted under the capital rule.

Line Item 69 Distributions and discretionary bonus payments during the quarter.

Report the amount of distributions and discretionary bonus payments made during the calendar quarter ending on the report date.

For example, for purposes of the December 31, 2020, report date, report in item 62 the distributions and discretionary bonus payments made during the quarter ending December 31, 2020.

See instructions for item 52 above for the definition of “distribution.”

Part II: Risk-Weighted Assets

Community Bank Leverage Ratio Framework:

A qualifying holding company that decides to opt into the community bank leverage ratio (CBLR) framework should not complete Schedule HC-R, Part II. All other holding companies should complete Schedule HC-R, Part II. A qualifying holding company can opt out of the community bank leverage ratio framework by completing Schedule HC-R, Parts I and II excluding Schedule HC-R, Part I, items 32 through 36. Please refer to the General Instructions for Schedule HC-R, Part I for information on the reporting requirements that apply when a holding company ceases to meet the applicable leverage ratio requirement under the CBLR framework or fails to meet any of the other CBLR qualifying criteria and is no longer in the grace period.

General Instructions for Part II

The instructions for Schedule HC-R, Part II, items 1 through 22 provide general directions for the allocation of holding company balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items, and unsettled transactions to the risk weight categories in columns C through Q (and, for items 1 through 10 only, to the items adjusted from the totals reported in Schedule HC-R, Part II, column A in column B). In general, the aggregate amount allocated to each risk-weight category is then multiplied by the risk weight associated with that category. The resulting risk-weighted values from each of the risk categories are added together, and generally this sum is the holding company total risk-weighted assets, which comprises the denominator of the risk-based capital ratios. 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 Board’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, the holding company’s carrying value of the exposure.

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

18. Not including: (1) an available-for-sale (AFS) or held-to-maturity (HTM) security where the holding company has made the Accumulated Other Comprehensive Income (AOCI) opt-out election in Schedule HC-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.

19. 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).

20. Where the holding company has made the AOCI opt-out election, accrued but uncollected interest and fees reported in Schedule HC, item 11, “Other assets,” associated with AFS or HTM debt securities that are not
3. For the off-balance sheet component of an exposure,21 the notional amount of the off-balance sheet component multiplied by the appropriate Credit conversion factor in §3.33 of the regulatory capital rules.

4. For an exposure that is an OTC derivative contract, the exposure amount determined under §3.34 or §3.132 of the regulatory capital rules.

5. For an exposure that is a derivative contract that is a cleared transaction, the trade exposure amount determined under §3.35 or §3.133 of the regulatory capital rules.

For derivatives that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date, a holding company does not need to report such notional amounts for derivatives that have matured for the purpose of Schedule HC-R, Part II, Risk-Weighted Assets.

6. 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 §3.37, the exposure amount determined under §3.37 of the regulatory capital rules.

7. For an exposure that is a securitization exposure, the exposure amount determined under §4.2 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**

The amount to report in column B will vary depending upon the nature of the particular item.

For items 1 through 8 and 11 of Schedule HC-R, Part II, column B should include the amount of the reporting securitization exposures should be reported in Schedule HC-R, Part II, item 8, “All other assets.”

21. 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 §3.37 of the regulatory capital rules, (3) a cleared transaction, (4) a default fund contribution, or (5) a securitization exposure,

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 such as:

- Goodwill;
- Other intangibles (other than mortgage servicing assets (MSAs));
- Gain on sale of securitization exposures;

For **non-advanced approaches holding companies**, threshold deductions above the 25 percent individual limits for (1) deferred tax assets (DTAs) arising from temporary differences that could not be realized through net operating loss carrybacks, (2) MSAs, net of associated deferred tax liabilities (DTLs), and (3) investments in the capital of unconsolidated financial institutions;

For **advanced approaches holding companies**, threshold deductions above the 10 percent individual or 15 percent combined limits for (1) DTAs arising from temporary differences that could be realized through net operating loss carrybacks, (2) MSAs, net of associated DTLs, and (3) significant investments in the capital of unconsolidated financial institutions in the form of common stock;

For **advanced approaches holding companies**, non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments;

For **advanced approaches holding companies**, investments in covered debt instruments and nonqualifying excluded covered debt instruments,22 as applicable; and

- Any other assets that must be deducted in accordance with the requirements of the Board.

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, or allowances for credit losses, as applicable; 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.

22. Nonqualifying excluded covered debt instruments are those subject to deduction according to the instructions for HC-R, Part I, item 43.
contracts. In addition, for items 1 through 8 and 11 of Schedule HC-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.”

Note: For items 1 through 8 and 11 of Schedule HC-R, Part II, the sum of columns B through R must equal the balance sheet asset amount reported in column A.

For items 9(a) through 9(d) of Schedule HC-R, Part II, the amount a reporting holding company should report in column B will depend upon the risk weighting approach it uses to risk weight its securitization exposures and whether the holding company’s has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a). For each of items 9(a) through 9(d), a mathematical relationship similar to the one described above will hold true, such that the sum of columns B through Q must equal the balance sheet asset amount reported in column A.

• If the holding company uses the 1,250 percent risk weight approach to risk weight an on-balance sheet securitization exposure, the holding company will report in column B the difference between the carrying value of the exposure and the exposure amount that is to be risk weighted. For example if a holding company has a securitization exposure that is an AFS debt security with a $105 carrying value (i.e., fair value) including a $5 unrealized gain (in other words, a $100 amortized cost), the holding company would report the following:
  - If the holding company has not made (or cannot make) the AOCI opt-out election, the holding company would report zero in item 9(b), column B. The holding company would report the $105 exposure amount to be risk weighted in item 9(b), column Q - 1250% risk weight.
  - If the holding company has made the AOCI opt-out election, the holding company would report any unrealized gain as a positive number in item 9(b), column B, and any unrealized loss as a negative number in item 9(b), column B. Therefore, in this example, the holding company would report $5 in item 9(b), column B. Because the holding company reverses out the unrealized gain for regulatory capital purposes because it has made the AOCI opt-out election, it does not have to risk weight the gain.

(Note: The holding company also would report the $100 exposure amount to be risk weighted in item 9(b), column Q - 1250% risk weight.

• If the holding company uses the Simplified Supervisory Formula Approach (SSFA) or the Gross-Up Approach to risk weight an on-balance sheet securitization exposure, the holding company will report in column B the same amount that it reported in column A.

For item 10 of Schedule HC-R, Part II, the amount a reporting holding company should report in column B also will depend upon the risk weighting approach it uses to risk weight its securitization exposures. If a holding company uses the 1,250 percent risk weight approach to risk weight an off-balance sheet securitization exposure, the holding company will report in column B any difference between the notional amount of the off-balance sheet securitization exposure that is reported in column A and its exposure amount. If the holding company uses the SSFA or the Gross-Up Approach to risk weight an off-balance sheet securitization exposure, the holding company will report in column B any difference between the notional amount of the off-balance sheet securitization exposure that is reported in column A and its exposure amount. If the holding company uses the SSFA or the Gross-Up Approach to risk weight an off-balance sheet securitization exposure, the holding company will report in column B the same amount that it reported in column A.

For items 12 through 21 of Schedule HC-R, Part II, columns 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 CCF. The credit equivalent amounts in column B are to be allocated to the appropriate risk-weight categories in columns C through J (or to the securitization exposure collateral category in column R, if applicable). For items 12 through 21 of Schedule HC-R, Part II, the sum of columns C through J (plus column R, if applicable) must equal the credit equivalent amount reported in column B.

Treatment of Collateral and Guarantees

a. Collateralized Transactions

The rules for recognition of collateral are in §.37 and pertinent definitions in §.2 of the regulatory capital rules.
Schedule HC-R

The regulatory capital rules define qualifying financial collateral as cash on deposit, gold bullion, investment grade long- and short-term debt exposures (that are not resecuritization exposures), publicly traded equity securities and convertible bonds, and money market fund or other mutual fund shares with prices that are publicly quoted on a daily basis.

Holding companies may apply one of two approaches, as outlined in §.37, to recognize the risk-mitigating effects of qualifying financial collateral:

1. Simple Approach: can be used for any type of exposure. Under this approach, holding companies may apply a risk weight to the portion of an exposure that is secured by the fair value of the financial collateral based on the risk weight assigned to the collateral under §.32. However, under this approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent, unless one of the following exceptions applies:

   - **Zero percent risk weight**: may be assigned to: an exposure to an over the counter derivative contract that is marked-to-market on a daily basis and subject to a daily margin requirement, to the extent that the contract is collateralized to cash on deposit; to the portion of an exposure collateralized by cash on deposit; to the portion of an exposure collateralized by an exposure to a sovereign that qualifies for the zero percent risk weight under §.32 and the holding company has discounted the fair value of the collateral by 20 percent.

   - **10 percent risk weight**: may be assigned to an exposure to an OTC derivative contract that is marked-to-market on a daily basis and subject to a daily margin requirement, to the extent that the contract is collateralized by a sovereign that qualified for a zero percent risk weight under §.32.

2. Collateral Haircut Approach: can be used only for repo-style transactions, eligible margin loans, collateralized derivative transactions, and single-product netting sets of such transactions. Under this approach, holding companies would apply either standard supervisory haircuts or own internal estimates for haircuts to the value of the collateral. See §.37(c) of the regulatory capital rules for a description of the calculation of the exposure amount, standard supervisory market price volatility haircuts, and requirements for using own internal estimates for haircuts.

Holding companies may use any approach described in §.37 that is valid for a particular type of exposure or transaction; however, they must use the same approach for similar transactions or exposures.

If an exposure is partially secured, that is, the market value (or in cases of using the Collateral Haircut Approach, the adjusted market value) of the financial collateral is less than the face amount of an asset or off-balance sheet exposure, only the portion that is covered by the 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 market value of the types of collateral.

**Exposures collateralized by deposits at the reporting institution**

The portion of any exposure collateralized by deposits at the reporting institution would be eligible for a zero percent risk weight. The remaining portion of the exposure that is not collateralized by deposits should be risk-weighted according to the regulatory capital rules.

b. **Guarantees and credit derivatives**

The rules for recognition of guarantees and credit derivatives are in §.36 and pertinent definitions are 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 contingent guarantees, only contingent guarantees of the U.S. government or its agencies are recognized.

The coverage amount provided by an eligible guarantee or eligible credit derivative will need to be adjusted downward if:
Schedule HC-R

- The residual maturity of the credit risk mitigant is less than that of the hedged exposure (maturity mismatch adjustment), see §.36(e);

- The credit risk mitigant does not include as a credit event a restructuring of the hedged exposure involving forgiveness or postponement of principal, interest, or fees that results in a credit loss event (that is, a charge-off, specific provision, or other similar debit to the profit and loss account), see §.36(d); or

- The credit risk mitigant is denominated in a currency different from that in which the hedged exposure is denominated (currency mismatch adjustment), see §.36(e).

Exposures covered by Federal Deposit Insurance Corporation (FDIC) loss sharing agreements

The portion of any exposure covered by an FDIC loss sharing agreement would be eligible for a 20 percent risk weight. The remaining uncovered portion of the exposure should be risk-weighted according to the regulatory capital rules.

Treatment of Equity Exposures

The treatment of equity exposures is outlined in §.51 through §.53 of the regulatory capital rules. Holding companies must use different methodologies to determine risk weighted assets for their equity exposures:

- The Simple Risk Weight Approach (SRWA), which must be used for all types of equity exposures that are not equity exposures to a mutual fund or other investment fund, and

- Full look-through, simple modified look-through, and alternative modified look-through approaches for equity exposures to mutual funds and other investment funds.

Treatment of Stable Value Protection

The regulatory capital rules define stable value protection (SVP) in §.51(a)(3).

A holding company that purchases SVP on an investment in a separate account must treat the portion of the carrying value of the investment attributable to the SVP as an exposure to the provider of the protection. The remaining portion of the carrying value of the investment must be treated as an equity exposure to an investment fund.

A holding company that provides SVP must treat the exposure as an equity derivative with an adjusted carrying value equal to the sum of the on-balance and off-balance sheet adjusted carrying value.

Adjusted Carrying Value

The adjusted carrying value of an equity exposure is equal to:

- **On-balance sheet equity exposure**: the carrying value of the exposure.

- **Off-balance sheet portion of an equity exposure (that is not an equity commitment)**: the effective notional principal amount\(^2\) of the exposure minus the adjusted carrying value of the on-balance sheet component of the exposure.

For an equity commitment (a commitment to purchase an equity exposure), the effective notional principal amount must be multiplied by the following CCFs: 20 percent for conditional equity commitments with an original maturity of one year or less, 50 percent for conditional equity commitments with an original maturity of more than one year, and 100 percent for unconditional equity commitments.

Equity Exposure Risk Weighting Methodologies

(1) Simple Risk Weight Approach (SWRA): must be used for all types of equity exposures that are not equity exposures to a mutual fund or other investment fund. Under this approach, holding companies must determine the risk weighted asset amount of an individual equity exposure by multiplying (1) the adjusted carrying value of the exposure or (2) the effective portion and ineffective portion of a hedge pair by the lowest possible risk weight below:

- Zero percent risk weight - an equity exposure to a sovereign, Bank for International Settlements, the European Central Bank, the European Commission, the International Monetary Fund, the European Stability Mechanism, the European Financial Stability Facility, a multilateral development bank (MDB), and any other entity whose credit exposures receive a zero percent risk weight under §.32 of the regulatory capital rules.

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\(^2\) The regulatory capital rules define the “effective notional principal amount” as an exposure of equivalent size to a hypothetical on-balance sheet position in the underlying equity instrument that would evidence the
Schedule HC-R

• 20 percent risk weight: an equity exposure to a public sector entity, Federal Home Loan Bank, and the Federal Agricultural Mortgage Corporation (Farmer Mac).

• 100 percent risk weight: equity exposures to:
  o Certain qualified community development investments,
  o The effective portion of hedge pairs,
  o For non-advanced approaches holding companies: Equity exposures, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the holding company must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds), and
  o For advanced approaches holding companies: Non-significant equity exposures, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the bank must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds).

• 250 percent risk weight: For advanced approaches holding companies only: Significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted from capital.

• 300 percent risk weight: publicly traded equity exposures.

• 400 percent risk weight: equity exposures that are not publicly traded.

• 600 percent risk weight: an equity exposure to an investment firm, provided that the investment firm would (1) meet the definition of traditional securitization in §.2 of the regulatory capital rules were it not for the application of paragraph (8) of the definition and (2) has greater than immaterial leverage.

(2) Full look-through approach: used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, holding companies calculate the aggregate risk-weighted asset amounts of the carrying value of the exposures held by the fund as if they were held directly by the holding company multiplied by the holding company’s proportional ownership share of the fund.

(3) Simple modified look-through approach: used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, risk-weighted assets for an equity exposure is equal to the exposure’s adjusted carrying value multiplied by the highest risk weight that applies to any exposure the fund is permitted to hold under the prospectus, partnership agreement, or similar agreement that defines the fund’s permissible investments.

(4) Alternative modified look-through approach: used only for equity exposures to a mutual fund or other investment fund. Requires a minimum risk weight of 20 percent. Under this approach, holding companies may assign the adjusted carrying value on a pro rata basis to different risk weight categories based on the limits in the fund’s prospectus, partnership agreement, or similar contract that defines the fund’s permissible investments.

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

same change in fair value (measured in dollars) given a small change in the price of the underlying equity instrument.
of the regulatory capital rules. Many 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 CCF 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 HC-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 HC-R, Part II, item 17 until the warranty expires.

If the holding company has made a CERW 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 HC-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 for losses up to $2 if the loans default during the first 12 months. Twelve months exceeds the 120-day limit and therefore the agreement is a CERW. The CERW is also a securitization exposure because the $2 is effectively a first loss tranche on a $100 transaction.

For purposes of reporting this transaction in Schedule HC-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 T or U of Schedule HC-R, Part II, item 10, unless it uses the SSFA or Gross-Up Approach for calculating the risk weighted asset amount for this transaction.

If the holding company uses either the SSFA or Gross-Up Approach to risk weight the $2 exposure, the holding company should report $100 in both column A and column B. In columns T or U, it would report the risk-weighted asset amount calculated by using either the SSFA or Gross-Up Approach, respectively.

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. 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 8) and off-balance sheet and other (items 12 through 22) exposures are to be assigned based upon the tables below:

Schedule HC-R

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

<table>
<thead>
<tr>
<th>Home Country CRC</th>
<th>Risk Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>50</td>
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<tr>
<td>4-6</td>
<td>100</td>
</tr>
<tr>
<td>7</td>
<td>150</td>
</tr>
</tbody>
</table>

- Non-OECD Member with No CRC: 100

- Countries with Sovereign Default in Previous Five Years: 150

- Exposures to foreign banks:

<table>
<thead>
<tr>
<th>Home Country CRC</th>
<th>Risk Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>4-7</td>
<td>150</td>
</tr>
</tbody>
</table>

- OECD Member with No CRC: 20

- Non-OECD Member with No CRC: 100

- Countries with Sovereign Default in Previous Five Years: 150
Schedule HC-R

- General obligation exposures to foreign public sector entities:

<table>
<thead>
<tr>
<th>Home Country CRC</th>
<th>Risk Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>4-7</td>
<td>150</td>
</tr>
<tr>
<td>OECD Member with No CRC</td>
<td>20</td>
</tr>
<tr>
<td>Non-OECD Member with No CRC</td>
<td>100</td>
</tr>
<tr>
<td>Countries with Sovereign Default in Previous Five Years</td>
<td>150</td>
</tr>
</tbody>
</table>

- Revenue obligation exposures to foreign public sector entities:

<table>
<thead>
<tr>
<th>Home Country CRC</th>
<th>Risk Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1</td>
<td>50</td>
</tr>
<tr>
<td>2-3</td>
<td>100</td>
</tr>
<tr>
<td>4-7</td>
<td>150</td>
</tr>
<tr>
<td>OECD Member with No CRC</td>
<td>50</td>
</tr>
<tr>
<td>Non-OECD Member with No CRC</td>
<td>100</td>
</tr>
<tr>
<td>Countries with Sovereign Default in Previous Five Years</td>
<td>150</td>
</tr>
</tbody>
</table>

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, the European Stability Mechanism, the European Financial Stability Facility, or a multilateral development fund (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 portions 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 states, municipalities, and other political subdivisions of the United States.
- 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 states, municipalities, and other political subdivisions of the United States.

**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\(^{25}\) (except credit-enhancing interest-only (CEIO) 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, 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 a CEIO strip that does not constitute an after-tax gain-on-sale,\(^{26}\) a holding company may assign a risk weight to the securitization exposure using the SSFA if certain requirements are met. If a holding company is not subject to Subpart F (the market risk capital rule) of the regulatory capital rules, it may instead choose to 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. However, 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 the Gross-Up Approach. Furthermore, holding companies must complete certain due diligence requirements and satisfactorily demonstrate a comprehensive 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

\(^{25}\) Structured finance programs include, but are not limited to, collateralized debt obligations.

\(^{26}\) 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.
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 §.41 of 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 capital rule 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.

a. Exposure Amount Calculation

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 HC-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 on-balance sheet securitization exposure that is an available-for-sale or held-to-maturity security where the holding company has made the AOCI opt-out election in Schedule HC-R, Part I, item 3.a, is equal to the carrying value of the exposure (including any accrued interest receivable on the exposure reported in Schedule HC, item 11), less any net unrealized gains on the exposure and plus any net unrealized losses on the exposure.

The exposure amount of an off-balance sheet securitization exposure that is not a repo-style transaction, an eligible margin loan, 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 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 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 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.

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 derivatives outlined in §.34, §.132 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 total capital requirement for all underlying exposures calculated using the SSFA (with unpaid principal used as the weight for each exposure). Parameter $K_G$ is expressed as a decimal value between zero and one (e.g., an average risk weight of 100 percent represents a value of $K_G$ equal to .08). “Underlying exposures” is defined in the regulatory capital rules to mean one or more exposures that have been securitized in a securitization transaction. In this regard, underlying exposures means all exposures, including performing and nonperforming exposures. Thus, for example, for a pool of underlying corporate exposures that have been securitized, where 95 percent of the pool is performing (and qualify for a risk weight of 100 percent) and 5 percent of the pool is past due exposures that are not guaranteed and are unsecured (and thus are assigned a risk weight of 150 percent), the weighted risk weight for the pool would be 102.5 percent [$102.5\% = (95\% \times 100\%) + (5\% \times 150\%)$] and the total capital requirement $K_G$ would be equal to 0.082 (102.5% divided by 1,250%). This treatment is consistent with the regulatory capital rules.

- 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.

- 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:

$$K_{SSFA} = \frac{e^{u} - e^{l}}{a(u - 1)}$$

Third, the risk weight of any particular securitization exposure (expressed as a percent) will depend on the tranche’s attachment point and detachment point relative to $K_A$:
**Case 1:** If the detachment point, parameter $D$, is less than or equal to $K_A$, the exposure is assigned a risk weight of 1,250 percent.

**Case 2:** If the attachment point, parameter $A$, is less than $K_A$ and the detachment point, parameter $D$, is greater than $K_A$, the risk weight is a weighted average of 1,250 percent and 1,250 percent times $K_{SSFA}$, calculated as shown below:

\[
RW = \left[ \left( \frac{K_A - A}{D - A} \right) \times 1,250 \text{ percent} \right] + \left[ \left( \frac{D - K_A}{D - A} \right) \times 1,250 \text{ percent} \times K_{SSFA} \right]
\]

**Case 3:** If the attachment point, parameter $A$, is greater than or equal to $K_A$, the risk weight is the product of $K_{SSFA}$ and 1,250 percent, as shown in the following equation:

\[
RW = 1,250 \text{ percent} \times K_{SSFA}
\]

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.

For purposes of reporting in Schedule HC-R, Part II, items 9 and 10, a holding company would report in Column T the risk-weighted asset amount calculated under the SSFA for its securitization exposures.

c. Gross-Up Approach

A holding company that is not subject to the market risk capital rule (Subpart F) in the regulatory capital rules 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 Exposure that is Not a Senior Exposure**

(a) Currently outstanding par value of the holding company’s non-senior securitization exposure divided by the currently outstanding par value of the entire tranche (e.g., 60%) 

27. A senior securitization exposure means a securitization exposure that has a first priority claim on the cash flows from the underlying exposures, without considering amounts due under interest rate or currency contracts, fees or other similar payments due. Time tranching (that is, maturity differences) also is not considered when determining whether a securitization exposure is a senior securitization exposure.

28. 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% in (a).
(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 non-senior securitization exposure .............................................

(c) Pro rata share of the more senior positions currently outstanding in the securitization that are supported by the holding company’s non-senior securitization exposure: enter (b) multiplied by (a) .........................

(d) Face amount of the holding company’s non-senior securitization exposure ..............................................

(e) Enter the sum of (c) and (d) ........................................

(f) Enter the weighted average risk weight applicable to the assets underlying the securitization ..............................................

(g) Risk-weighted asset amount of the holding company’s non-senior securitization exposure: enter the higher of (d) multiplied by 20%, or
   • (d) multiplied by 20% or
   • (e) multiplied by (f) ..........................................

(h) Capital charge for the risk-weighted asset amount of the holding company’s non-senior securitization exposure: enter (g) multiplied by 8% ..........................................

For purposes of reporting its non-senior securitization exposures in Schedule HC-R, Part II, items 9 and 10, a holding company would report in Column U the weighted-average risk weight of the securitization’s underlying exposures, subject to a 20 percent risk-weight floor.

Reporting in Schedule HC-R, Part II, When Using the Gross-Up Approach:

If the holding company’s non-senior security is a held-to-maturity securitization exposure, the amortized cost of this security is included on the Report of Condition balance sheet in Schedule HC, item 2(a), “Held-to-maturity securities,” and on the regulatory capital schedule in columns A and B of Schedule HC-R, Part II, item 9(a), “On-balance sheet securitization exposures - Held-to-maturity securities.” The risk-weighted asset amount from line (g) in the Gross-Up Approach Worksheet above is reported in column U of Schedule HC-R, Part II, item 9(a).

If the holding company’s non-senior security is an available-for-sale securitization exposure, the fair value of this security is included on the Report of Condition balance sheet in Schedule HC, item 2(b), “Available-for-sale securities,” and on the regulatory capital schedule in column A of Schedule HC-R, Part II, item 9(b), “On-balance sheet securitization exposures - Available-for-sale securities.” For further information on the reporting of AFS securitization exposures in column B refer to the instructions for Schedule HC-R, Part II, item 9(b) because the amount reported in column B depends on whether the holding company has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a). For non-senior AFS securitization exposures, the risk-weighted asset amount from line (g) in the Gross-Up Approach Worksheet above is reported in column U of Schedule HC-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 Report of Condition balance sheet in Schedule HC, item 5, “Trading assets,” and on the regulatory capital schedule in column A of Schedule HC-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 capital rule. The risk-weighted asset amount from line (g) in the Gross-Up Approach Worksheet above is reported in column U of Schedule HC-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.

Securitization exposure reporting in Schedule HC-R, Part II

Securitization exposure reporting depends on the methodology the holding company will use to risk weight the exposure.

<table>
<thead>
<tr>
<th>(Column A) Totals</th>
<th>(Column B) Adjustments to Totals Reported in Column A</th>
<th>(Column Q) Exposure Amount</th>
<th>(Column T) Total Risk-Weighted Asset Amount by Calculation Methodology</th>
<th>(Column U)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BHCK</td>
<td>BHCK</td>
<td>BHCK</td>
<td>BHCK</td>
<td>BHCK</td>
</tr>
<tr>
<td>$100</td>
<td>$0</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

In addition, when a holding company applies the 1,250 percent risk weight to an on-balance sheet securitization exposure, the holding company should include in column A of Schedule HC-R, Part II, item 9.d, any amount reported in Schedule HC, item 11, “Other assets,” for accrued interest receivable on the securitization exposures, regardless of where the securitization exposure is reported on the balance sheet in Schedule HC. The amount reported in column Q should match the amount reported in column A.

If a holding company - regardless if it makes the AOCI opt-out election - is applying the SSFA or Gross-Up Approach, the reporting is significantly different due to the fact that the holding company reports the risk weighted assets amount in columns T or U.

In the case where a holding company has a securitization exposure with a balance sheet value of $100, it would report $100 in both columns A and B. If the holding company applies the SSFA and calculates a risk-weighted asset exposure of $20 for that securitization, the holding company would report $20 in column T. Since it is using the SSFA for all its securitization exposures, the holding company must report $0 in column U.

A holding company, at its discretion, could also use both the 1,250 percent risk weight for some securitization exposures and either the SSFA or Gross-Up Approach for other securitization exposures. For example, Holding Company Z has three securitization exposures, each valued at $100 on the balance sheet. Holding Company Z chooses to apply the 1,250 percent risk weight to one exposure and use the Gross-Up Approach to calculate risk-weighted assets for the other two exposures. Assume that the risk-weighted asset amount under the Gross-Up Approach is $20 for each exposure.
### Schedule HC-R

<table>
<thead>
<tr>
<th>9. On-balance sheet securitization exposures</th>
<th>(Column A) Totals</th>
<th>(Column B) Adjustments to Totals Reported in Column A</th>
<th>(Column Q)</th>
<th>(Column T)</th>
<th>(Column U)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exposure Amount</td>
<td>Total Risk-Weighted Asset Amount by Calculation Methodology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Column Q)</td>
<td>(Column T)</td>
<td>(Column U)</td>
<td></td>
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</tr>
<tr>
<td>1250%</td>
<td>SSFA</td>
<td>Gross-Up</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.a</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

| BHCK                                         | BHCK              | BHCK                                                 | BHCK        | BHCK       |
|                                               | $100              | $100                                                 | $0           | $20         | $0         |

The holding company would report the following:

The $200 reported under column B reflects the balance sheet amounts of the two securitizations risk-weighted using the Gross-Up Approach. This ensures that the sum to equal the amount under column U reflects the risk-weighted asset amount of the sum of the two securitization exposures that were risk-weighted using the Gross-Up Approach. This $40 is added to total risk-weighted assets in item 28 of Schedule HC-R, Part II.

### Holding Companies That Are Subject to the Market Risk Capital Rule

The regulatory capital rules require all holding companies with significant market risk to measure their market risk exposure and hold sufficient capital to mitigate this exposure. In general, a holding company is subject to the market risk capital rule if its consolidated trading activity, defined as the sum of trading assets and trading liabilities as reported in its FR Y9-C for the previous quarter, equals:

- 10% or more of the holding company’s total assets as reported in its FR Y-9C for the previous quarter, or
- $1 billion or more. However, the Federal Reserve may exempt or include the holding company if necessary or appropriate for safe and sound banking practices.

A holding company that is subject to the market risk capital rule must hold capital to support its exposure to general market risk arising from fluctuations in interest rates, equity prices, foreign exchange rates, and commodity prices and its exposure to specific risk associated with certain debt and equity positions.

A covered position is a trading asset or trading liability (whether on- or off-balance sheet), as reported on Schedule HC-D, that is held for any of the following reasons:

1. For the purpose of short-term resale;
2. With the intent of benefiting from actual or expected short-term price movements;
3. To lock in arbitrage profits; or
4. To hedge another covered position.

on average for the four most recent quarters
Covered positions include all positions in a holding company’s trading account and foreign exchange and commodity positions, whether or not in the trading account. Covered positions generally should not be risk-weighted as part of the holding company’s gross credit risk-weighted assets. However, foreign exchange positions that are outside of the trading account and all over-the-counter (OTC) derivatives as well as cleared transactions and unsettled transactions continue to have a counterparty credit risk capital charge. Those positions are included in both gross risk-weighted assets for credit risk and the holding company’s covered positions for market risk.

Additionally, the trading asset or trading liability must be free of any restrictive covenants on its tradability or the holding company must be able to hedge the material risk elements of the trading asset or trading liability in a two-way market. A covered position also includes a foreign exchange or commodity position, regardless of whether the position is a trading asset or trading liability (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions).

A covered position does not include:

1. An intangible asset (including any servicing asset);
2. A hedge of a trading position that is outside the scope of the holding company’s hedging strategy (required by the market risk capital rule);
3. Any position that, in form or substance, acts as a liquidity facility that provides support to asset-backed commercial paper;
4. A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the regulatory capital rules for credit risk;
5. An equity position that is not publicly traded (other than a derivative that references a publicly traded equity);
6. A position held with the intent to securitize; or
7. A direct real estate holding.

A holding company subject to the market risk capital rule must maintain an overall minimum 8.0 percent ratio of total qualifying capital (the sum of Tier 1 capital and Tier 2 capital, net of all deductions) to the sum of risk-weighted assets and market risk-weighted assets. Hold-
ing companies should refer to the regulatory capital rules for specific instructions on the calculation of the measure for market risk.

**Balance Sheet Asset Categories**

**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 HC - 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 HC-R, Part II (items 1 to 8). 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. All derivative exposures should be risk-weighted in the derivative items of Schedule HC-R, Part II, as appropriate (items 20 or 21).

**Reporting Exposures Hedged with Cleared Eligible Credit Derivatives**

Holding companies are able to obtain full or partial protection for (i.e., “hedge”) on-balance sheet assets or off-balance sheet items using credit derivatives that are cleared through a qualified central counterparty (QCCP) or a central counterparty (CCP) that is not a QCCP. In some cases, a cleared credit derivative used for this purpose meets the definition of an eligible credit derivative in §.2 of the regulatory capital rules. In these cases, under §.36 of the regulatory capital rules, a holding company that is a clearing member or a clearing member client may recognize the credit risk mitigation benefits of the eligible credit derivative. More specifically, the risk weight of the underlying exposure (e.g., 20 percent, 50 percent, or 100 percent) may be replaced with the risk weight of the CCP or QCCP as the protection provider if the credit derivative is an eligible credit derivative, is cleared through a CCP or a QCCP, and meets the applicable requirements under §.35 and §.36 of the regulatory capital rules. The risk weight for an eligible credit derivative cleared through a QCCP is 2 percent or 4 percent, based on conditions set forth in the rules. The
risk weight for an eligible credit derivative cleared through a CCP is determined according to §.32 of the regulatory capital rules. In addition, the coverage amount provided by an eligible credit derivative must be adjusted downward under certain conditions as described in §.36 of the regulatory capital rules.

If a clearing member holding company or clearing member client holding company has obtained full or partial protection for an on-balance sheet asset or off-balance sheet item using a cleared eligible credit derivative cleared through a QCCP, the holding company may, but is not required to, recognize the benefits of this eligible credit derivative in determining the risk-weighted asset amount for the hedged exposure in Schedule HC-R, Part II, by reporting the protected exposure amounts and credit equivalent amounts in the 2 percent or 4 percent risk-weight category, as appropriate under the regulatory capital rules. Any amount of the exposure that is not covered by the eligible credit derivative should be reported in the risk-weight category corresponding to the risk weight of the underlying exposure. For example, for an asset with a $200 exposure amount fully covered by an eligible credit derivative cleared through a QCCP that qualifies for a 2 percent risk weight, the holding company would report the $200 exposure amount in Column D–2% risk weight for the appropriate asset category.

**Treatment of Certain Centrally Cleared Derivative Contracts**

In August 2017, the banking agencies issued supervisory guidance on the regulatory capital treatment of certain centrally cleared derivative contracts which are reported in HC-R Part II item 21, in light of revisions to the rulebooks of certain central counterparties. Under the previous requirements of these central counterparties’ rulebooks, variation margin transferred to cover the exposure that arises from marking cleared derivative contracts, and netting sets of such contracts, to fair value was considered collateral pledged by one party to the other, with title to the collateral remaining with the posting party. These derivative contracts are referred to as collateralized-to-market contracts. Under the revised rulebooks of certain central counterparties, variation margin for certain centrally cleared derivative contracts, and certain netting sets of such contracts, is considered a settlement payment for the exposure that arises from marking these derivative contracts and netting sets to fair value, with title to the payment transferring to the receiving party. In these circumstances, the derivative contracts and netting sets are referred to as settled-to-market contracts.

Irrespective of the classification discussed above, under the standardized approach for counterparty credit risk, a holding company may elect to treat derivative contracts as collateralized-to-market derivative contracts subject to a variation margin agreement and apply the maturity factor for derivative contracts subject to a variation margin agreement. A holding company that elects to apply this treatment must apply the maturity factor applicable to margined derivative contracts.

Under the Board’s regulatory capital rules, in general, a holding company must calculate the trade exposure amount for a cleared derivative contract, or a netting set of such contracts, by using the methodology described in §.34 of the rules to determine (i) the current credit exposure and (ii) the potential future exposure (PFE) of the derivative contract or netting set of such contracts for purposes of the standardized approach risk-based capital calculation and the supplementary leverage ratio calculation when using the Current Exposure Method (CEM) or by using the methodology described in §.132 of the rules to determine (i) the replacement cost and (ii) the potential future exposure of the derivative contract or netting set of such contracts for purposes of the standardized approach risk-based capital calculation and the supplementary leverage ratio calculations when using the Standardized Approach—Counterparty Credit Risk Method (SA-CCR). The risk-weighted asset calculations under the advanced approaches capital framework have similar requirements.

Under CEM, current credit exposure is determined by reference to the fair value of each derivative contract as measured under U.S. GAAP. Potential future exposure is determined, in part, by multiplying each derivative contract’s notional principal amount by a conversion factor. The conversion factors vary by the category (for example, interest rate, equity) and remaining maturity of the derivative contract.31

Under SA-CCR, the determination of the replacement cost depends on whether the counterparty to a holding company is required to post variation margin. The replacement cost for a netting set that is not subject to a variation margin agreement is equal to the greater of (1)

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31. See the instructions for Schedule HC-R, Part II, item 21, “Centrally cleared derivatives,” for a chart of the credit conversion factors.
the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts, or (2) zero. For a netting set that is subject to a variation margin agreement where the counterparty is required to post variation margin, replacement cost is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the sum of the net independent collateral amount and the variation margin amount applicable to such derivative contracts; (2) the sum of the variation margin threshold and the minimum transfer amount applicable to the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts; or (3) zero. The SA-CCR PFE is equal to the product of the PFE multiplier and the aggregated amount. To determine the aggregated amount, a holding company is required to determine the hedging set amounts for the derivative contracts within a netting set, where a hedging set is comprised of derivative contracts that share similar risk factors based on asset class (e.g., interest rate, exchange rate, credit, equity, and commodity).

The regulatory capital rules provide that, for a derivative contract that is structured such that on specified dates any outstanding exposure is settled and the terms are reset so that the fair value of the contract is zero, the remaining maturity equals the time until the next reset date.

For the purpose of the regulatory capital rules, the August 2017 supervisory guidance states that if, after accounting and legal analysis, a holding company determines that (i) the variation margin payment on a centrally cleared settled-to-market contract settles any outstanding exposure on the contract. In conducting its legal analysis to determine whether variation margin may be considered settlement of outstanding exposure under the regulatory capital rules, a holding company should evaluate whether the transferor of the variation margin has relinquished all legal claims to the variation margin and whether the payment of variation margin constitutes settlement under the central counterparty’s rulebook, any other applicable agreements governing the derivative contract, and applicable law. Among other requirements, a central counterparty’s rulebook may require an institution to satisfy additional obligations, such as payment of other expenses and fees, in order to recognize payment of variation margin as satisfying settlement under the rulebook. The legal and accounting analysis performed by the institution should take all such requirements into account.

When using the SA-CCR method, a holding company may elect to treat settled-to-market derivatives contracts as subject to a variation margin agreement and receive the benefits of netting with collateralized-to-market derivative contracts. If a holding company elects to treat settled-to-market derivative contracts as subject to a variation margin agreement, it must apply the maturity factor to such contracts under §.132(c)(9)(iv)(A) of the rules. The maturity factor of a derivative contract that is subject to a variation margin agreement, excluding derivative contracts that are subject to a variation margin agreement under which the counterparty is not required to post variation margin, is determined by the following formula:

\[
\text{Maturity Factor} = \frac{3}{2} \sqrt[250]{\text{MPOR}},
\]

where MPOR refers to the period from the most recent exchange of collateral under a variation margin agreement with a defaulting counterparty until the derivative contracts are closed out and the resulting market risk is re-hedged.

Holding companies should refer to the supervisory guidance in its entirety for purposes of determining the appropriate regulatory capital treatment of settled-to-market contracts under the regulatory capital rules.

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 HC-R, Part II, item 30. 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 HC, item 4(c), “Allowance for loan and lease losses,” and separately disclosed in Schedule HI-B, part II, Memorandum item 1. 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 the Schedule HC. In this situation, the ATRR should be reported as a negative number (i.e., with a minus (-) sign) in column B, “Adjustments to totals reported in Column A,” of the corresponding asset category in Schedule HC-R, Part II, items 1 through 4 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 Schedule HC, item 2(a), “Held-to-maturity securities,” at $80. The security should be included in Schedule HC-R, Part II, item 2(a), column A, at $80. The holding company should include $-20 in Schedule HC-R, Part II, item 2(a), column B, and $100 in item 2(a), column I.

Item Instructions for Part II

Items 1 through 25 columns A through U are to be reported semiannually in June and December by HCs with less than $5 billion in total assets.

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Caption and Instructions</th>
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<tbody>
<tr>
<td>1</td>
<td>Cash and balances due from depository institutions. Report in column A the amount of cash and balances due from depository institutions reported in Schedule HC, 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 HC, items 1(a) and 1(b) that qualify as securitization exposures must be reported in Schedule HC-R, Part II, item 9(d), column A.</td>
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- **In column C-0% risk weight, include:**
  - The amount of currency and coin reported in Schedule HC, item 1(a);
  - Any balances due from Federal Reserve Banks reported in Schedule HC, item 1(b);
  - The insured portions of deposits in FDIC-insured depository institutions and NCUA-insured credit unions reported in Schedule HC, items 1(a) and 1(b); and
  - The amount of negotiable certificates of deposit purchased through the Money Market Mutual Fund Liquidity Facility.

- **In column G-20% risk weight, include:**
  - Any balances due from depository institutions and credit unions that are organized under the laws of the United States or a U.S. state reported in Schedule HC, 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 HC, items 1(a) and 1(b); and
  - The amount of cash items in the process of collection reported in Schedule HC, 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 HC, items 1(a) and 1(b), composed of balances due from foreign banks;
    - 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 or bank 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. This treatment differs from that required in Schedule HC-A, item 2, “Balances due from depository institutions in the U.S.,” which treats pass-through reserve balances held by a bank’s correspondent as balances due from a depository institution as opposed to balances due from the Federal Reserve.

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. If the holding company has made the Accumulated Other Comprehensive Income opt out election in Schedule HC-R, Part I, item 3(a), 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 securitization exposures). Do not include securities that qualify as securitization exposures in items 2(a) and 2(b) below; instead, report these securities in Schedule HC-R, Part II, items 9(a) and 9(b). In general, under the regulatory capital rules, securitizations are exposures that are “tranchéd” 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 HC, item 2(a), excluding those HTM securities that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

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

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 HC-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 (a) on the balance sheet of the holding company determined in accordance with GAAP and (b) in Schedule HC-R, Part II, item 2(a), column A.

Exposure amount to be used for purposes of risk weighting - holding company has made the AOCI opt-out election in Schedule HC-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 (a) on the balance sheet of the holding company and (b) in Schedule HC-R, Part II, item 2(a), column A, less any net unrealized gain on the exposure plus any net unrealized loss on the exposure included in AOCI. For purposes of determining the exposure amount of an HTM
Schedule HC-R

security, an unrealized gain (loss), if any, on such a security that is included in AOCI is (i) the unamortized balance of the unrealized gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available for sale category, or (ii) the unaccreted portion of other-than-temporary impairment losses on an HTM debt security that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”). Thus, for an HTM security with such an unrealized gain (loss), report in column B any difference between the carrying value of the security reported in column A of this item and its exposure amount reported under the appropriate risk weighting column C through J.

- **In column B for non-advanced approaches holding companies**, include the amount of:
  - Investments in the capital of unconsolidated financial institutions in the form of tier 2 capital that are reported in Schedule HC, item 2.a, and have been deducted from capital in Schedule HC-R, Part I, item 43

- **In column B for advanced approaches holding companies**, include the amount of:
  - Non-significant investments in tier 2 capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule HC, item 2.a, and have been deducted from capital in Schedule HC-R, Part I, item 43.
  - Significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital and covered debt instruments, that are reported in Schedule HC, item 2.a, and have been deducted from capital in Schedule HC-R, Part I, item 43.
  - For holding companies subject to the expanded risk-based approach, investments in nonqualifying excluded covered debt instruments that are reported in Schedule HC, item 2.a, and have been deducted from capital in Schedule HC-R, Part I, item 17, item 24, and item 43.
  - For a holding company that has adopted CECL includes as a negative number in column B: the relevant portion of Schedule HI-B, Part II, item 7, Column B, “Balance end of current period: Held-to-maturity debt securities,” less Schedule HC-R, part II, Memorandum item 5(b), “Amount of allowances for credit losses on purchased credit-deteriorated assets: Held-to-maturity securities.” For example, if a firm reports $100 in Schedule HI-B, Part II, item 7, Column B, and $10 in Schedule HC-R, part II, Memorandum item 5(b), the firm would report ($90) in this column B.

- **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. Also include the exposure amount of HTM debt securities purchased through the Money Market Mutual Fund Liquidity Facility. Include the exposure amounts of securities reported in 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:
  - Item 1, “U.S. Treasury securities,”
  - Item 2, Those obligations “issued by U.S. Government agencies,”
  - Item 4(a)(1), Residential mortgage pass-through securities “Guaranteed by GNMA,”
  - Item 4(b)(1), those other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies, such as GNMA exposures,
  - Item 4(c)(1)(a), those commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent GNMA securities, and
Schedule HC-R

- Item 4(c)(2)(a), those commercial mortgage-backed securities (MBS) “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent GNMA securities.

- The portion of any exposure reported in Schedule HC, item 2(a), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

  - **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 reported 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:
    - Item 2, “Securities issued by U.S. Government-sponsored agencies,”
    - Item 3, “Securities issued by states and political subdivisions in the U.S.” that represent general obligation securities,
    - Item 4(a)(2), Residential mortgage pass-through securities “Issued by FNMA and FHLMC,”
    - Item 4(b)(1), Other residential mortgage-backed securities “Issued or guaranteed by U.S. Government agencies or sponsored agencies,”
    - Item 4(c)(1)(a), those commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent FHLMC and FNMA securities,
    - Item 4(c)(2)(a), those commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent FHLMC and FNMA securities,

- Item 4(b)(2), Other residential mortgage-backed securities “Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies”, and

- Any securities categorized as “structured financial products” on Schedule HC-B 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 HC-R, Part II, item 9(a) for purposes of calculating risk weighted assets.

- Item 2(a), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

  - **In column H-50% risk weight**, include the exposure amounts of securities reported in Schedule HC-B, Column A, 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:
    - Item 3, “Securities issued by states and political subdivisions in the U.S.,” that represent revenue obligation securities,
    - Item 4(a)(3), “Other 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.)
    - Item 4(b)(2), Other residential mortgage-backed securities “Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies” (excluding 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
    - Item 4(b)(3), “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 HC-R, Part II, item 9(a). Exclude interest-only securities.

- The portion of any exposure reported in Schedule HC, item 2(a), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- In column I-100% risk weight, include the exposure amounts of securities reported in Schedule HC-B, column A, 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:
  - Item 4(a)(3), “Other pass-through securities,” that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4(b)(2), 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 agreement), that represent residential mortgage exposures that qualify for the 100 percent risk weight,
  - Item 4(b)(3), “All other residential MBS.” Include only those MBS that qualify for the 100 percent risk weight. Refer to §32(g), (h) and (i) of the regulatory capital rules. (Note: do not include MBS that are tranch for credit risk, those should be reported as securitization exposures in Schedule HC-R, Part II, item 9(a)),
  - Item 4(c)(1)(b), “Other pass-through securities,”
  - Item 4(c)(2)(b), “All other commercial MBS,”
  - Item 5(a), “Asset-backed securities,” and
  - Any securities reported as “structured financial products” in Schedule HC-B, item 5(b), 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 HC-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 HC, item 2(a), that are not included in columns C through through J.

- In column J-150% risk weight, include the exposure amounts of securities reported in Schedule HC-B, column A, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §37 and §36, respectively, of the regulatory capital rule.

- 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 amounts of those securities reported in Schedule HC-B, column A, that are directly and unconditionally guaranteed by foreign central governments or are exposures to foreign banks that do not qualify as securitization exposure. Such securities may include portions of, but may not be limited to:
    - Item 4(a)(3), “Other pass-through securities,”
    - Item 4(b)(3), “All other residential MBS,”
    - Item 4(c)(1)(b), “Other pass-through securities,”
    - Item 4(c)(2)(b), “All other commercial MBS,”
    - Item 5(a), “Asset-backed securities,”
    - Any securities reported as “structured financial products” in Schedule HC-B, item 5(b), that are not securitization exposure. Note: Many of the structured financial products would be considered securitization exposures and reported in Schedule HC-R, Part II, item
For a security reported in Schedule HC-R, Part II, item 2(b), column A 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: the adjusted carrying value.\(^{32}\)

Exposure amounts to be used for purposes of risk weighting by a holding company that has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a):

- For a debt security: the carrying value, less any unrealized gain on the exposure or plus any unrealized loss on the exposure included in AOCI.

- For equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values: the adjusted carrying value.\(^{33}\)

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. This difference equals the amounts reported in Schedule HC-B, items 1 through 6, column D, minus items 1 through 6, column C, for

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32. 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. Refer to §.51 for the precise definition.

33. 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 have made the AOCI opt-out election, the adjusted carrying value of an on-balance sheet equity exposure, such as an equity security with a readily determinable fair value not held for trading, is equal to the carrying value of the equity exposure, i.e., the value of the asset on the balance sheet determined in accordance with U.S. GAAP. Refer to §.51 for the precise definition.
those AFS debt securities included in these items that are not securitization exposures.

- When fair value exceeds cost, report the difference as a positive number in Schedule HC-R, Part II, item 2(b), column B.

- When cost exceeds fair value, report the difference as a negative number (i.e., with a minus (-) sign) in Schedule HC-R, Part II, item 2(b), column B.

Example: A holding company reports an AFS debt security that is not a securitization exposure on its balance sheet in Schedule HC, item 2(b), at a carrying value (i.e., fair value) of $105. The amortized cost of the debt security is $100. The holding company has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a). The AFS debt security has a $5 unrealized gain that is included in AOCI. In Schedule HC-R, Part II, item 2(b), the holding company would report:

- $105 in column A. This is the carrying value of the AFS debt security on the bank’s balance sheet.

- $5 in column B. This is the difference between the carrying value (i.e., fair value) of the debt security and its exposure amount that is subject to risk-weighting. For holding companies that have made the AOCI opt-out election, column B will typically represent the amount of the unrealized gain or unrealized loss on the security. Gains are reported as positive numbers; losses as negative numbers. (Note: if the holding company has not made or cannot make the AOCI opt-out election, there will not be an adjustment to be reported in column B.)

- $100 is the exposure amount subject to risk weight loss. This amount will be reported under the appropriate weight associated with the exposure (columns C through J). For holding companies that have made AOCI opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the debt security excluding any unrealized gain or loss.

- In column B, for a holding company that has made the AOCI opt-out election, no amount should be included for equity securities and preferred stock classified as an equity under GAAP with readily determinable fair values that are reported in Schedule HC-R, Part II, item 2(b), column A.

- In column B for non-advanced approaches holding companies, include the amount of:

  - Investments in the capital of unconsolidated financial institutions that are reported in Schedule HC, item 2(c), and have been deducted from capital in Schedule HC-R, Part I, item 13.a, item 24, and item 43.

- In column B for advanced approaches holding companies, include the amount of:

  - Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule HC, item 2(c), and have been deducted from capital in Schedule HC-R, Part I, item 11, item 17, item 24, and item 43.

  - Significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital and covered debt instruments, that are reported in Schedule HC, item 2(c), and have been deducted from capital in Schedule HC-R, Part I, item 17, item 24 and item 43.

  - Investments in nonqualifying excluded covered debt instruments that are reported in Schedule HC, item 2(c), and have been deducted from capital in Schedule HC-R, Part I, item 17, item 24, and item 43.

  - Significant investments in the capital of unconsolidated financial institutions in the form of common stock, reported Schedule HC, item 2(c), that are subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations and have been deducted for risk-based capital purposes in Schedule HC-R, Part I, items 13.b and 16.

  - Significant investments in the capital of unconsolidated financial institutions in the form of common stock reported in Schedule HC, item 2.b (for a holding company that has not adopted ASU 2016-01) or item 2.c (for a

holding companies not subject to the expanded risk-based approach

holding companies subject to the expanded risk-based approach
holding company that has adopted ASU 2016-01), that are subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations and have been deducted for risk-based capital purposes in Schedule HC-R, Part I, items 13.b and 16.

- 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. Also include the exposure amount of HTM debt securities purchased through the Money Market Mutual Fund Liquidity Facility. Include the exposure amounts of those debt securities reported in Schedule HC-B, column C, that do not qualify as securitization exposures that qualify for the zero percent risk weight. Such debt securities may include portions of, but may not be limited to:
  o Item 1, “U.S. Treasury securities,”
  o Item 2(a), Securities “Issued by U.S. Government agencies,”
  o Item 4(a)(1), Residential mortgage pass-through securities “Guaranteed by GNMA,”
  o Portions of item 4(b)(1), Other residential mortgage-backed securities “Issued or guaranteed by U.S. Government agencies or sponsored agencies,” such as GNMA exposures,
  o Item 4(c)(1)(a), certain portions of commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent GNMA securities, and
  o Item 4(c)(2)(a), certain portions of commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent GNMA securities.
  o The portion of any exposure reported in Schedule HC, item 2(b), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.

- 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 debt securities reported in Schedule HC-B, Column C, that do not qualify as securitization exposures that qualify for the 20 percent risk weight. Such debt securities may include portions of, but may not be limited to:
  o Item 2(b), Securities “Issued by U.S. Government-sponsored agencies” (exclude interest-only securities),
  o Item 3, “Securities issued by states and political subdivisions in the U.S.” that represent general obligation securities,
  o Item 4(a)(2), Residential mortgage pass-through securities “Issued by FNMA and FHLMC” (exclude interest-only securities),
  o Item 4(b)(1), Other residential mortgage-backed securities “Issued or guaranteed by U.S. Government agencies or sponsored agencies” (exclude interest-only securities),
  o Item 4(c)(1)(a), those commercial MBS “Issued or guaranteed by FNMA, FHLMC, or GNMA” that represent FHLMC and FNMA securities (exclude interest-only securities),
  o Item 4(c)(2)(a), those commercial MBS “Issued or guaranteed by U.S. Government agencies or sponsored agencies” that represent FHLMC and FNMA securities (exclude interest-only securities),
  o Item 4(b)(2), Other residential mortgage-backed securities “Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies.”

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agencies or sponsored agencies” (exclude interest-only securities), and

- Any securities categorized as “structured financial products” on Schedule HC-B 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 HC-R, Part II, item 9(b), for purposes of calculating risk-weighted assets. Exclude interest-only securities.

- The portion of any exposure reported in Schedule HC, item 2(b), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- In column H-50% risk weight, include the exposure amounts of those debt securities reported in Schedule HC-B, column C, that do not qualify as securitization exposures that qualify for the 50 percent risk weight. Such debt securities may include portions of, but may not be limited to:

  - Item 3, “Securities issued by states and political subdivisions in the U.S.,” that represent revenue obligation securities,

  - Item 4(a)(3), “Other pass-through securities,” that represent residential mortgage exposures that qualify for the 50 percent risk weight. (Pass-through securities that do not qualify for the 50 percent risk weight should be assigned to the 100 percent risk weight category.)

  - Item 4(b)(2), Other residential mortgage-backed securities “Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies” (excluding portions subject to an FDIC loss-sharing agreement) that represent residential mortgage exposures that qualify for the 50 percent risk weight, and

  - Item 4(b)(3), “All other residential MBS.” Include only those MBS that qualify for the 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 should be reported as securitization exposures in Schedule HC-R, Part II, item 9(b).

  - Item 4(c)(1)(b), “Other pass-through securities,”

  - Item 4(c)(2)(b), “All other commercial MBS,”

  - Item 5(a), “Asset-backed securities,”

- Any securities reported as “structured financial products” in Schedule HC-B, item 5(b), 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 HC-R, Part II, item 9(b) for purposes of calculating risk weighted assets.

- The portion of any exposure reported in Schedule HC, item 2(b), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- In column I-100% risk weight, include the exposure amounts of debt securities reported in Schedule HC-B, column C, that do not qualify as securitization exposures that qualify for the 100 percent risk weight. Such debt securities may include portions of, but may not be limited to:

  - Item 4(a)(3), “Other pass-through securities,” that represent residential mortgage exposures that qualify for the 100 percent risk weight,

  - Item 4(b)(2), Other residential mortgage-backed securities “Collateralized by MBS issued or guaranteed by U.S. Government agencies or sponsored agencies” (excluding portions subject to an FDIC loss-sharing agreement) that represent residential mortgage exposures that qualify for the 100 percent risk weight,

  - Item 4(b)(3), “All other residential MBS.” Include only those MBS that qualify for the 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 HC-R, Part II, item 9(b).

  - Item 4(c)(1)(b), “Other pass-through securities,”

  - Item 4(c)(2)(b), “All other commercial MBS,”

  - Item 5(a), “Asset-backed securities,”

- Any securities reported as “structured financial products” in Schedule HC-B, item 5(b), 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 HC-R, Part II, item 9(b) for purposes of calculating risk weighted assets.

- The portion of any exposure reported in Schedule HC, item 2(b), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
or has a guarantee that qualifies for the 100 percent risk weight.

- All other AFS debt securities that do not qualify as securitization exposures reported in Schedule HC, item 2(b), that are not included in columns C through H, J through N, or R.

For non-advanced approaches institutions, also include in column I-100% risk weight the exposure amounts of publicly traded equity exposures with readily determinable fair values and equity exposures to investment funds with readily determinable fair values (including mutual funds), to the extent that the aggregate carrying value of the holding company’s equity exposures does not exceed 10 percent of total capital. If the holding company’s aggregate carrying value of equity exposures is greater than 10 percent of total capital, the holding company must report the exposure amount of its equity exposures to investments funds (including mutual funds) in column R (and the risk-weighted asset amount of such equity exposures in column S) and the exposure amount of its other equity exposures in either columns L or N, as appropriate.

For advanced approaches institutions, also include in column I-100% risk weight non-significant equity exposures, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the bank must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds).

- In column J-150% risk weight, include the exposure amounts of securities reported in Schedule HC-B, column C, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- In column K-250% risk weight, for an advanced approaches holding company, include the portion that does not qualify as a securitization exposure of Schedule HC, item 2(c), 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 the regulatory capital rules.

- In column L-300% risk weight,
  - For publicly traded equity securities with readily determinable fair values reported in Schedule HC item 2(c) (except equity securities to investment firms), include the fair value of these equity securities as reported in Schedule HC, item 2(c).

- In column N-600% risk weight,
  - For equity securities to investment firms with readily determinable fair values reported in Schedule HC item 2(c), include the fair value of these equity securities as reported in Schedule HC, item 2(c).

- In columns R and S-Application of Other Risk-Weighting Approaches, include the holding company’s equity exposures to investment funds with readily determinable fair values (including mutual funds) reported in Schedule HC, item 2(c), if the aggregate carrying value of the holding company’s equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach as described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of “Treatment of Equity Exposures” in the General Instructions for Schedule HC-R, Part II.

- Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading 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 reported in Schedule HC, item 2(c), that are directly and unconditionally guaranteed by foreign central
governments or are exposures on foreign banks that do not qualify as securitization exposures. Such securities may include portions of, but may not be limited to:

- Item 4(a)(3), "Other pass-through securities,"
- Item 4(b)(3), "All other residential MBS,"
- Item 4(c)(1)(b), "Other pass-through securities,"
- Item 4(c)(2)(b), "All other commercial MBS,"
- Item 5(a), "Asset-backed securities,"
- Any securities reported as "structured financial products" in Schedule HC-B, item 5(b), that are not securitization exposures. Note: Many structured financial products would be considered securitization exposures and must be reported in Schedule HC-R, Part II, item 9(b) for purposes of calculating risk weighted assets,
- Item 6(b), "Other foreign debt securities," and

### Federal funds sold and securities purchased under agreements to resell.

#### 3(a) Federal funds sold (in domestic offices).
Report in column A the amount of federal funds sold reported in Schedule HC, item 3(a), excluding those federal funds sold that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those federal funds sold reported in Schedule HC, item 3(a), that qualify as securitization exposures are to be reported in Schedule HC-R, Part II, item 9(d), column A

- In column C - 0% risk weight, include the portion of Schedule HC, item 3(a), that is directly and unconditionally guaranteed by U.S. Government agencies. Also include the portion of any exposure reported in Schedule HC, item 3(a), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
- In column G - 20% risk weight, include exposures reported in Schedule HC, item 3(a), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.
- In column H - 50% risk weight, include exposures reported in Schedule HC, item 3(a), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
- 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 reported in Schedule HC, item 3(a), that are not included in columns C through J. Also include the portion of any exposure reported in Schedule HC, item 3(a), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
- Federal funds sold 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 of Schedule HC, item 3(a), that is directly and unconditionally guaranteed by foreign central governments and exposures to foreign banks.

#### 3(b) Securities purchased under agreements to resell.
Report in columns A and B the amount of securities purchased under agreements to resell (securities resale agreements, i.e., reverse repos) reported in Schedule HC, item 3(b), excluding those securities resale agreements that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those securities resale agreements reported in Schedule HC, item 3(b), that qualify as securitization exposures...
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are to be reported in Schedule HC-R, Part II, item 9(d), column A.

A holding company that has adopted CECL includes in column B the relevant portion (reflected as a negative number) related to all other assets of Schedule HI-B, Part II, Memorandum item 6, “Allowance for credit losses on other financial assets measured at amortized cost,” less Schedule HC-R, part II, Memorandum item 5(e), “Amount of allowances for credit losses on purchased credit-deteriorated assets: Other financial assets measured at amortized cost.” For example, if a firm reports $100 in Schedule HI-B, Part II, Memorandum item 6, and $10 in Schedule HC-R, Part II, Memorandum item 5(e), the firm would report ($90) in this column B.

• Note: for purposes of risk weighting, please distribute on-balance sheet securities purchased under agreements to resell reported in Schedule HC, item 3(b), within the risk weight categories in Schedule HC-R, Part II, item 16, “Repo-style transactions.” Holding companies should report their securities purchased under agreements to resell in item 16 in order for institutions to calculate their exposure, and thus risk-weighted assets, based on master netting set agreements covering repo-style transactions.

4 Loans and leases held for sale. Report in column A of the appropriate subitem the carrying value of loans and leases held for sale (HFS) reported in Schedule HC, item 4(a), 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 in Schedule HC, item 4(a), that qualify as securitization exposures must be reported in Schedule HC-R, Part II, item 9(d), column A.

The sum of Schedule HC-R, Part II, items 4(a) through 4(d), column A, plus the carrying value of HFS loans and leases that qualify as securitization exposures and are reported in Schedule HC-R, Part II, item 9(d), column A, must equal Schedule HC, item 4(a).

4(a) Residential mortgage exposures. Report in column A the carrying value of loans held for sale (HFS) reported in Schedule HC, item 4(a), that meet the definition of a residential mortgage exposure or a statutory multifamily mortgage in §.2 of the regulatory capital rules.

34. Statutory multifamily mortgage means a loan secured by a multifamily residential property that meets the requirements under Section 618(b)(1) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991, and that meets the following criteria:

(1) The loan is made in accordance with prudent underwriting standards;

(2) The principal amount of the loan at origination does not exceed 80 percent of the value of the property (or 75 percent of the value of the property if the loan is based on an interest rate that changes over the term of the loan) where the value of the property is the lower of the acquisition cost of the property or the appraised (or, if appropriate, evaluated) value of the property;

(3) All principal and interest payments on the loan must have been made on a timely basis in accordance with the terms of the loan for at least one year prior to applying a 50 percent risk weight to the loan, or in the case where an existing owner is refinancing a loan on the property, or in the case of a cooperative or other not-for-profit housing project, the property must generate sufficient cash flow to provide comparable protection to the institution; and

(4) Amortization of principal and interest on the loan must occur over a period of not more than 30 years and the minimum original maturity for repayment of principal must not be less than 7 years;

(5) Annual net operating income (before making any payment on the loan) generated by the property securing the loan during its most recent fiscal year must not be less than 120 percent of the loan’s current annual debt service (or 115 percent of current annual debt service if the loan is based on an interest rate that changes over the term of the loan) or, in the case where an existing owner is refinancing a loan on the property, or in the case of a cooperative or other not-for-profit housing project, the property must generate sufficient cash flow to provide comparable protection to the institution: and

(6) The loan is not more than 90 days past due or on nonaccrual. A loan that meets the requirements of Section 618(b)(1) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 is a loan: (i) secured by a first lien on a residence consisting of more than 4 dwelling units; and (ii) under which

(I) the rate of interest does not change over the term of the loan, or (b) the principal obligation does not exceed 80 percent of the appraised value of the property, and (c) the ratio of annual net operating income generated by the property (before payment of any debt service on the loan) to annual debt service on the loan is not less than 120 percent: or

(II) the rate of interest changes over the term of the loan, or (b) the principal obligation does not exceed 75 percent of the appraised value of the property, and (c) the ratio of annual net operating income generated by the property (before payment of any debt service on the loan) to annual debt service on the loan is not less
rules. Include in column A the carrying value of:

- HFS loans secured by first or subsequent liens on 1-4 family residential properties (excluding first or subsequent liens on those that qualify as securitization exposures) that are reported in Schedule HC-C, items 1c(1), 1c(2)(a), and

- HFS loans secured by first or subsequent liens on multifamily residential properties with an original and outstanding amount of $1 million or less (excluding those that qualify as securitization exposures) that are reported in Schedule HC-C, item 1d, as these HFS loans would meet the regulatory capital rules’ definition of residential mortgage exposure.

Exclude from this item:

- HFS loans secured by multifamily residential properties included in Schedule HC-C, item 1d, that do not meet the definition of a residential mortgage exposure or a statutory multifamily mortgage and are not securitization exposures, and

- HFS 1-4 family residential construction loans reported in Schedule HC-C, item 1a(1), that are not securitization exposures, which should be reported in Schedule HC-R, Part II, item 4.c or 4.d, as appropriate.

- In column C-0% risk weight, include the portion of any exposure that meets the definition of residential mortgage exposure or statutory multifamily mortgage reported in Schedule HC, item 4(a), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans collateralized by deposits at the reporting institution.

- In column G-20% risk weight, include the carrying value of the guaranteed portion of HFS Federal Housing Administration (FHA) and Veterans Administration (VA) mortgage loans included in Schedule HC-C, item 1c(2)(a). Also include the portion of any exposure that meets the definition of residential mortgage exposure or statutory multifamily mortgage reported in Schedule HC, item 4(a), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of such an exposure covered by an FDIC loss-sharing agreement.

- In column H-50% risk weight, include the carrying value of HFS loans secured by (a) 1-4 family residential properties included in Schedule HC-C, item 1c(1) (only include qualifying first mortgage loans), qualifying loans from items Schedule HC-C, 1c(2)(a) and 1(d), or those that meet the definition of a residential mortgage exposure and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of $1 million or less), not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury’s Home Affordable Mortgage Program (HAMP) or (2) consistent with the agencies’ April 7, 2020, interagency statement, 35

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35. As discussed in the April 7, 2020, Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised), Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act provides financial institutions the option to temporarily suspend certain requirements under
solely due to short-term modifications of 1-4 family residential mortgages made on a good faith basis in response to the Coronavirus Disease 2019 (COVID-19), provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status. Also include loans that meet the definition of statutory multi-family mortgage in §.2 of the regulatory capital rules. Also include the portion of any exposure that meets the definition of residential mortgage exposure or reported in Schedule HC, item 4(a), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

Notes:

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

2 A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §.32(g) of the regulatory capital rules:
   o A property is owner-occupied or rented;
   o The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral;
   o The loan is not 90 days or more past due or on nonaccrual;
   o The loan is not restructured or modified (except for loans restructured (1) solely pursuant to the U.S. Treasury’s HAMP or (2) solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loan is prudently underwritten and not 90 days or more past due or carried in nonaccrual status).
   o If the holding company holds the first-lien and junior -lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the holding company must combine the exposures and treat them as a single first-lien residential mortgage exposure.

4 A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.

5 A residential mortgage loan of $1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §.32(g) listed above.

- In column I-100% risk weight, include the carrying value of HFS loans that are residential mortgage exposures reported in Schedule HC, item 4(a), that are not included in columns C, G, H or R. Include HFS loans that are junior lien residential mortgage exposures if the holding company does not hold the first lien on the property, except the portion of any junior lien residential mortgage exposure that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Include HFS loans that are residential mortgage exposures that have been restructured or modified, except:
  - Those loans restructured or modified solely pursuant to the U.S. Treasury’s HAMP, and
  - The portion of any restructured or modified residential mortgage exposure that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.

- In columns R and S-Application of Other Risk-Weighting Approaches, include the portion of any HFS exposure reported in Schedule HC, item 4(a) that meets the definition

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U.S. generally accepted accounting principles related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19.
of residential mortgage exposure or statutory multifamily mortgage and is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

- Include in column R the carrying value of the portion of an HFS exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the simple approach in §.37. In addition, the holding company must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

- Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFS exposure secured by such collateral. Any remaining portion of the HFS exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through I, as appropriate.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule HC-R, Part II.

4(b) High volatility commercial real estate exposures. Report in column A the carrying value of loans held for sale (HFS) reported in Schedule HC, item 4(a), that are high volatility commercial real estate (HVCRE) exposures, including HVCRE exposures that are

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36. HVCRE exposure means:

1. A credit facility secured by land or improved real property that, prior to being reclassified by the institution as a non-HVCRE exposure pursuant to paragraph (6) of this definition—
   i. Primarily finances, has financed, or refinances the acquisition, development, or construction of real property;
   ii. Has the purpose of providing financing to acquire, develop, or improve such real property into income-producing real property; and
   iii. Is dependent upon future income or sales proceeds from, or refinancing of, such real property for the repayment of such credit facility.

2. An HVCRE exposure does not include a credit facility financing—
   i. The acquisition, development, or construction of properties that are—
      A. One- to four-family residential properties. Credit facilities that do not finance the construction of one- to four-family residential structures, but instead solely finance improvements such as the laying of sewers, water pipes, and similar improvements to land, do not qualify for the one- to four-family residential properties exclusion;
      B. Real property that would qualify as an investment in community development; or
      C. Agricultural land;
   ii. The acquisition or refinance of existing income-producing real property secured by a mortgage on such property, if the cash flow being generated by the real property is sufficient to support the debt service and expenses of the real property, in accordance with the institution’s applicable loan underwriting criteria for permanent financings;
   iii. Improvements to existing income-producing improved real property secured by a mortgage on such property, if the cash flow being generated by the real property is sufficient to support the debt service and expenses of the real property, in accordance with the institution’s applicable loan underwriting criteria for permanent financings; or
   iv. Commercial real property projects in which—
      A. The loan-to-value ratio is less than or equal to the applicable maximum supervisory loan-to-value ratio as determined by an institution’s primary federal regulator;
      B. The borrower has contributed capital of at least 15 percent of the real property’s appraised, ‘as completed’ value to the project in the form of—
         1. Cash;
         2. Unencumbered readily marketable assets;
         3. Paid development expenses out-of-pocket; or
         4. Contributed real property or improvements; and
      C. The borrower contributed the minimum amount of capital described under paragraph (2)(iv)(B) of this definition before the institution advances funds (other than the advance of a nominal sum made in order to secure the institution’s lien against the real property) under the credit facility, and such minimum amount of capital contributed by the borrower is contractually required to remain in the project until the HVCRE exposure has been reclassified.
90 days or more past due or in nonaccrual status:

- **In column C-0% risk weight**, include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE exposures collateralized by deposits at the reporting institution.

- **In column G-20% risk weight**, include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.

- **In column H-50% risk weight**, include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- **In column I-100% risk weight**, include the portion of any HVCRE exposure included in loans and leases HFS that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- **In column J-150% risk weight**, include the carrying value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules, included in Schedule HC, item 4(a), excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- **In columns R and S-Application of Other Risk-Weighting Approaches**, include the portion of any HVCRE exposure included in loans and leases HFS reported in Schedule HC, item 4(a), that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

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(3) An HVCRE exposure does not include any loan made prior to January 1, 2015;

(4) An HVCRE exposure does not include a credit facility reclassified as a non-HVCRE exposure under paragraph (6) of this definition.

(5) Value of contributed real property: For the purposes of this HVCRE exposure definition, the value of any real property contributed by a borrower as a capital contribution is the appraised value of the property as determined under standards prescribed pursuant to section 1110 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3339), in connection with the extension of the credit facility or loan to such borrower.

(6) Reclassification as a non-HVCRE exposure: For purposes of this HVCRE exposure definition and with respect to a credit facility and an institution, an institution may reclassify an HVCRE exposure as a non-HVCRE exposure upon—

(i) The substantial completion of the development or construction of the real property being financed by the credit facility; and

(ii) Cash flow being generated by the real property being sufficient to support the debt service and expenses of the real property, in accordance with the institution’s applicable loan underwriting criteria for permanent financings.

(7) For purposes of this definition, an institution is not required to reclassify a credit facility that was originated on or after January 1, 2015, and prior to April 1, 2020.
Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFS exposure that is secured by such collateral. Any remaining portion of the HFS exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule HC-R, Part II.

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) reported in Schedule HC, item 4(a), 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 sovereign exposures 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 HC-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 HC-R, Part II, item 4(b)).

- In column C-0% risk weight, include the portion of loans and leases HFS included in Schedule HC, item 4(a), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans, and the portion of loans and leases HFS collateralized by deposits at the reporting institution.

- In column G-20% risk weight, include the portion of loans and leases HFS included in Schedule HC, item 4(a), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of HFS loans covered by an FDIC loss-sharing agreement.

- In column H-50% risk weight, include the portion of loans and leases HFS included in Schedule HC, item 4(a), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- In column I-100% risk weight, include the portion of loans and leases HFS included in Schedule HC, item 4(a), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- In column J-150% risk weight, include the carrying value of loans and leases HFS included in Schedule HC, item 4(a), 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.

- In columns R and S-Application of Other Risk-Weighting Approaches, include the portion of any loans and leases HFS included in Schedule HC, item 4(a), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
Schedule HC-R

- Include in column R the carrying value of the portion of an HFS loan or lease that is 90 days or more past due or in nonaccrual status that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the simple approach in §.37. In addition, the holding company must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

- Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HFS exposure that is secured by such collateral. Any remaining portion of the HFS exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule HC-R, Part II.

4(d) All other exposures. Report in column A the carrying value of loans and leases held for sale (HFS) reported in Schedule HC, item 4(a), that are not reported in Schedule HC-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 Small Business Administration (SBA) “Guaranteed Interest Certificates” purchased in the secondary market that are included in Schedule HC-C. Also include the portion of any loans and leases HFS that that are not reported in Schedule HC-R, Part II, items 4(a) through 4(c) above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans, and the portion of loans and leases HFS collateralized by deposits at the reporting institution.

- In column G-20% risk weight, include the carrying value of HFS loans to and acceptances of other U.S. depository institutions that are reported in Schedule HC-C, item 2, plus the carrying value of the guaranteed portion of HFS SBA loans originated and held by the reporting holding company included in Schedule HC-C, and the carrying value of the portion of HFS student loans reinsured by the U.S. Department of Education included in Schedule HC-C, item 6(d), “Other consumer loans.” Also include the portion of any loans and leases HFS that that are not reported in Schedule HC-R, Part II, items 4(a) through 4(c) above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases HFS covered by FDIC loss-sharing agreements.

- 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. Also include the portion of any loans and leases HFS that that are not reported in Schedule HC-R, Part II, items 4(a) through 4(c) above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- In column I-100% risk weight, include the carrying value of HFS loans and leases reported in Schedule HC, item 4(a), that are not included in columns C through J and R. This item would include 1-4 family construction loans reported in Schedule HC-C, item 1(a)(1) and loans secured by multifamily residential properties reported in Schedule HC-C, item 1(d), with an original amount of more than $1 million. 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. Also include the portion of any loans and leases HFS that that are not reported in Schedule HC-R, Part II, items 4(a) through 4(c) above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

• In columns R and S-Application of Other Risk-Weighting Approaches, include the portion of any HFS loans and leases, including HFS eligible margin loans, reported in Schedule HC, item 4(a), that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the Simple Approach, or the collateral margin approach for eligible margin loans, outlined in §.37 of the regulatory capital rules. Under the Simple Approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

  o Include in column R the carrying value of the portion of such an HFS loan or lease that is secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the Simple Approach or the Collateral Haircut Approach, respectively, however, the holding company must apply the same approach to all eligible margin loans. In addition, if the holding company applies the simple approach, it must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

  o 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 other HFS loans and leases held for sale that must be risk weighted according to the Country Risk Classification (CRC) methodology

  o 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.

  o The carrying value of other loans and leases held for sale reported in Schedule HC, item 4(a), that are not reported in Schedule HC-R, Part II, items 4(a) through 4(c) above.

5 Loans and leases, held for investment

Report in column A of the appropriate sub-item the carrying value of loans and leases, held for investment, reported in Schedule HC, item 4(b), excluding those loans and leases, held for investment, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

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

The sum of Schedule HC-R, Part II, items 5(a) through 5(d), column A, plus the carrying value of loans and leases, held for investment, that qualify as securitization exposures and are reported in Schedule HC-R, Part II, item
5(a) **Residential mortgage exposures.** Report in column A the carrying value of loans, held for investment, reported in Schedule HC, item 4(b), that meet the definition of a residential mortgage exposure or a statutory multifamily mortgage\(^{37}\) in §.2 of the regulatory capital rules. Include in column A the carrying value of:

- Loans, held for investment, secured by first or subsequent liens on 1-4 family residential properties (excluding those that qualify as securitization exposures) that are reported in Schedule HC-C, items 1(c)(1), 1(c)(2)(a), and 1(c)(2)(b), and

- Loans, held for investment, secured by first or subsequent liens on multifamily residential properties with an original and outstanding amount of $1 million or less (excluding those that qualify as securitization exposures) that are reported in Schedule HC-C, item 1(d), as these loans would meet the regulatory capital rules’ definition of residential mortgage.

Exclude from this item:

- Loans, held for investment, secured by multifamily residential properties included in Schedule HC-C, item 1(d), that do not meet the definition of a residential mortgage exposure or a statutory multifamily mortgage, and

- 1-4 family residential construction loans, held for investment, reported in Schedule HC-C, item 1(a)(1), that are not securitization exposures, which should be reported in Schedule HC-R, Part II, item 5(c) or 5(d), as appropriate.

In column B, a holding company that has adopted CECL includes as a positive number the portion of Schedule HC-R, part II, Memorandum item 5(a), “Amount of allowances for credit losses on purchased credit-

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\(^{37}\) See the instructions for Schedule HC-R, Part II, item 4(a) above for the definition of statutory multifamily mortgage.
nonaccrual status, and have not been restructured or modified (unless modified or restructured (1) solely pursuant to the U.S. Treasury’s Home Affordable Mortgage Program (HAMP) or (2) consistent with the agencies’ April 7, 2020, interagency statement,38 solely due to short-term modifications of 1-4 family residential mortgages made on a good faith basis in response to the Coronavirus Disease 2019 (COVID-19), provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status). Also include loans, held for investment, that meet the definition of statutory multifamily mortgage in §2 of the regulatory capital rules. Also include the portion of any loan, held for investment, which meets the definition of residential mortgage exposure or reported in Schedule HC, item 4(b), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

Notes:

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

- A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in §32(g) of the regulatory capital rules:
  - A property is owner-occupied or rented;
  - The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral;
  - The loan is not 90 days or more past due or on nonaccrual;
  - The loan is not restructured or modified (except for loans restructured (1) solely pursuant to the U.S. Treasury’s HAMP (2) solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loan is prudently underwritten and not 90 days or more past due or carried in nonaccrual status).
  - If the holding company holds the first-lien and junior -lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the holding company must combine the exposures and treat them as a single first-lien residential mortgage exposure.

- A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria, in §32(g) listed above.

- A residential mortgage loan of $1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in §32(g) listed above.

- In column I-100% risk weight, include the carrying value of loans, held for investment, related to residential mortgage exposures reported in Schedule HC, item 4(b), that are not included in columns C, G, H, or R. Include loans, held for investment, that are junior lien residential mortgage exposures if the bank does not hold the first lien on the property, except the portion of any junior lien residential mortgage exposure that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Also include loans, held for investment, that are residential mortgage exposures that have been restructured or modified, except:

38. As discussed in the April 7, 2020, Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised), Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act provides financial institutions the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19.
Schedule HC-R

- Those loans restructured or modified solely pursuant to the U.S. Treasury’s HAMP, and
- The portion of any restructured or modified residential mortgage exposure that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.

**In columns R and S-Application of Other Risk-Weighting Approaches**, include the portion of any loan, held for investment, reported in Schedule HC, item 4(b), that meets the definition of residential mortgage exposure or statutory multifamily mortgage, and is secured by qualifying financial collateral that meets the definition of a securitization exposure in §2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

- Include in column R the carrying value of the portion of a loan exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the simple approach in §37. In addition, the holding company must apply the same approach to securitization exposure collateral—either the Simplified Supervisory Formula Approach or the Gross-Up Approach—that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

- Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the loan exposure that is secured by such collateral. Any remaining portion of the loan exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through I, as appropriate.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule HC-R, Part II.

**5(b) High volatility commercial real estate exposures**. Report in Column A the portion of the carrying value of loans, held for investment, reported in Schedule HC, item 4(b), that are high volatility commercial real estate exposures (HVCRE), including HVCRE exposures that are 90 days or more past due or in nonaccrual status:

- In column B, a holding company that has adopted CECL includes as a positive number the portion of Schedule HC-R, Part II, Memorandum item 5(a), “Amount of allowances for credit losses on purchased credit deteriorated assets: Loans and leases held for investment” that are applicable to high-volatility commercial real estate exposures.
- In column C-0% risk weight, include the portion of any HVCRE exposure included in loans and leases, held for investment, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE loans, net of unearned income, collateralized by deposits at the reporting institution.
- In column G-20% risk weight, include the portion of any HVCRE exposure included in loans and leases, held for investment, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.
- In column H-50% risk weight, include the portion of any HVCRE exposure included in loans and leases, held for investment, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

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39. See instructions for Schedule HC-R, Part II, item 4(b), above for the definition of HVCRE exposure.
Schedule HC-R

- **In column I-100% risk weight**, include the portion of any HVCRE exposure included in loans and leases, held for investment, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- **In column J-150% risk weight**, include the carrying value of high volatility commercial real estate exposures, as defined in §2 of the regulatory capital rules, included in Schedule HC, item 4(b), excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- **In columns R and S-Application of Other Risk-Weighting Approaches**, include the portion of any HVCRE exposure included in loans and leases, held for investment, reported in Schedule HC, item 4(b), that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.  
  
  o Include in column R the carrying value of the portion of an HVCRE exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the simple approach in §.37. In addition, the holding company must apply the same approach to securitization exposure collateral—either the Simplified Supervisory Formula Approach or the Gross-Up Approach—that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.
  
  o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HVCRE exposure that is secured by such collateral. Any remaining portion of the HVCRE exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through I, as appropriate.

  For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule HC-R, Part II.

| 5(c) HDX HAR 100% Exposures past due 90 days or more or on nonaccrual. Report in column A the carrying value of loans and leases, held for investment, reported in Schedule HC, item 4(b), 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 sovereign exposures 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 HC-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 HC-R, Part II, item 5(b)).

  - In column B, a holding company that has adopted CECL includes as a positive number the portion of Schedule HC-R, Part II, Memorandum item 5(a) “Amount of allowances for credit losses on purchased credit-deteriorated assets: Loans and leases held for investment” that are applicable to exposures past due 90 days or more or on nonaccrual.

  - **In column C-0% risk weight**, include the portion of loans and leases, held for investment, included in Schedule HC, item 4(b),
that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans and the portion of loans and leases, net of unearned income, collateralized by deposits at the reporting institution.

- **In column G-20% risk weight**, include the portion of loans and leases, held for investment, included in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases, held for investment, covered by an FDIC loss-sharing agreement.

- **In column H-50% risk weight**, include the portion of loans and leases, held for investment, included in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- **In column I-100% risk weight**, include the portion of loans and leases, held for investment, included in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- **In column J-150% risk weight**, include the carrying value of loans and leases, held for investment, included in Schedule HC, item 4(b), 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.

- **In columns R and S-Application of Other Risk-Weighting Approaches**, include the portion of any loans and leases, held for investment, included in Schedule HC, item 4(a), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

  - Include in column R the carrying value of the portion of a loan or lease, held for investment, that is 90 days or more past due or in nonaccrual status that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the simple approach in §.37. In addition, the holding company must apply the same approach to securitization exposure - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

  - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the loan or lease held for investment that is secured by such collateral. Any remaining portion of the loan or lease, exposure, that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets...
5(d) **All other exposures.** Report in column A the carrying value of loans and leases, held for investment, reported in Schedule HC, item 4(b), that are not reported in items 5(a) through 5(c) above:

- **In column C-0% risk weight,** include the carrying value of the unconditionally guaranteed portion of SBA “Guaranteed Interest Certificates” purchased in the secondary market that are included in Schedule HC-C, net of unearned income. Also include the portion of any loans and leases, net of unearned income, not reported in Schedule HC-R, Part II, items 5(a) through 5(c) above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans and the portion of loans and leases, held for investment, collateralized by deposits at the reporting institution.

- **In column G-20% risk weight,** include the carrying value of loans to and acceptances of other U.S. depository institutions, held for investment, that are reported in Schedule HC-C, item 2 (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 included in Schedule HC-C, and the carrying value, net of unearned income, of the portion of student loans reinsured by the U.S. Department of Education included in Schedule HC-C, item 6(d), “Other consumer loans.” Also include the portion of any loans and leases, held for investment, not reported in Schedule HC-R, Part II, items 5(a) through 5(c) above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.

- **In column H-50% risk weight,** include the carrying value of loans and leases, held for investment, that meet the definition of pre-sold construction loan in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight. Also include the portion of any loans and leases, held for investment, not reported in Schedule HC-R, Part II, items 5(a) through 5(c) above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- **In column I-100% risk weight,** include the carrying value of loans and leases, held for investment, reported in Schedule HC, item 4(b), that is not included in columns C through H, J or R (excluding loans that are assigned a higher than 100 percent risk weight, such as HVCRE loans and past due loans). This item would include 1-4 family construction loans and leases, held for investment, reported in Schedule HC-C, item 1(a)(1) and the portion of loans, held for investment, secured by multifamily residential property reported in Schedule HC-C, item 1(d), with an original amount of more than $1 million. Also include the carrying value of loans and leases, held for investment, that meet the definition of pre-sold construction loan in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight. Also include the portion of any loans and leases, held for investment, not reported in Schedule HC-R, Part II, items 5(a) through 5(c) above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- **In columns R and S-Application of Other Risk-Weighting Approaches,** include the portion of any loans and leases, held for investment, including eligible margin loans, reported in Schedule HC, item 4(b), that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital...
rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach, or the collateral margin approach for eligible margin loans, outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

- Include in column R the carrying value of the portion of such a loan or lease, held for investment, that is secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the simple approach or the collateral haircut approach, respectively; however, the holding company must apply the same approach for all eligible margin loans. In addition, if the holding company applies the simple approach, it must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

- Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the loan or lease, held for investment, that is secured by such collateral. Any remaining portion of the loan or lease exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule HC-R, Part II.

- All other loans and leases, held for investment, 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 investment, reported in Schedule HC, item 4(b), that are not reported in Schedule HC-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 or the allowance for credit losses on loans and leases, as applicable, reported in Schedule HC, item 4(c).

7 **Trading assets.** Report in column A the fair value of trading assets reported in Schedule HC, item 5, excluding those trading assets that are securitization exposures, as defined in §.2 of the regulatory capital rules. The fair value of those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures must be reported in Schedule HC-R, Part II, item 9.c, column A. The sum of Schedule HC-R, Part II, items 7 and 9(c), column A, must equal Schedule HC, item 5.

If the holding company is subject to the market risk capital rules, include in column B the fair value of all trading assets that are covered positions as defined in Schedule HC-R, Part II, item 27 (except those trading assets that are both securitization exposures and covered positions, which are excluded from column A of this item 7 and are to be reported instead in Schedule HC-R, Part II, item 9(c), column A). The holding company
will report its standardized market risk-weighted assets in Schedule HC-R, Part II, item 27.

For holding companies not subject to the market risk capital rule and for those trading assets reported in column A that are held by holding companies subject to the market risk capital rule and do not meet the definition of a covered position:

- **In column B**, if the holding company completes Schedule HC-D, include the fair value of derivative contracts that are reported as assets in Schedule HC-D, item 11. If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, 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. For purposes of risk weighting, include the credit equivalent amounts of these derivatives, determined in accordance with the regulatory capital rules, in the risk weight categories in Schedule HC-R, Part II, items 20 and 21, as appropriate. Do not risk weight these derivatives in this item.

**In column B for non-advanced approaches holding companies**, include the amount of:

- Investments in the capital of unconsolidated financial institutions that are reported in Schedule HC, item 5, and have been deducted from capital in Schedule HC-R, Part I, item 13.a, 17, 24, and item 43.

**In column B for advanced approaches holding companies**, include the amount of:

- Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule HC, item 5, and have been deducted from capital in Schedule HC-R, Part I, item 11, item 17, item 24, and item 43.

- Significant investments in the capital and covered debt instruments of unconsolidated financial institutions not in the form of common stock that are reported in Schedule HC, item 5, and have been deducted from capital in Schedule HC-R, Part I, item 17, item 24 and item 43.

- Significant investments in the capital of unconsolidated financial institutions in the form of common stock reported in Schedule HC, item 5, that are subject to the 10 percent and 15 percent common equity tier 1 capital threshold limitations and have been deducted for risk-based capital purposes in Schedule HC-R, Part I, items 13.b and 16, column B.

Also include in column B the fair value of any unsettled transactions (failed trades) that are reported as trading assets in Schedule HC, item 5. For purposes of risk weighting, unsettled transactions are to be reported in Schedule HC-R, Part II, item 22.

- **In column C-0% risk weight**, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D 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:

  - Item 1, “U.S. Treasury securities”
  - The portion of the amount reported in item 2 that represents the fair value of securities issued by U.S. Government agencies, and
  - The portion of the amounts reported in item 4, (column A) that represents the fair value of mortgage-backed securities guaranteed by GNMA.
o If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding types of securities. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Schedule HC-R, Part II, item 9(c).

o Include the fair value of assets purchased through the Money Market Mutual Fund Liquidity Facility that are held for trading.

o Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include U.S. Small Business Administration Paycheck Protection Program loans and the portion of trading assets collateralized by deposits at the reporting institution.

• In column G-20% risk weight, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D 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:
  o The portion of the amount reported in item 2 that represents the fair value of securities issued by U.S. Government-sponsored agencies,
  o The portion of the amount reported in item 3 that represents the fair value of general obligations issued by states and political subdivisions in the U.S.,
  o The portion of the amount reported in item 4 that represents the fair value of mortgage-backed securities issued by FNMA and FHLMC,
  o The fair value of those asset-backed securities, structured financial products, and other debt securities reported in item 5, “Other debt securities,” that represent exposures to U.S. depository institutions,
  o The portion of the amount reported in item 6(d), “Other loans,” that represents loans to and acceptances of U.S. depository institutions, and
  o The portion of the amount reported in item 9, “Other trading assets,” that represents the fair value of certificates of deposit.

o If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Schedule HC-R, Part II, item 9(c).

o Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of trading assets covered by FDIC loss-sharing agreements.

• In column H-50% risk weight, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D that do not qualify as securitization exposures reported in HC-D that qualify for the 50 percent risk weight. Such trading assets may include portions of, but may not be limited to:
  o The portion of the amount reported in item 3 that represents the fair value of revenue obligations issued by states and political subdivisions in the U.S., and
  o The fair value of those mortgage-backed securities reported in item 4, “Mortgage-backed securities.”

o If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair
value of the preceding types of trading assets. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Schedule HC-R, Part II, item 9(c).

- **In column I-100% risk weight**, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D 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 reported in item 4, “Mortgage-backed securities,” and
  - Item 5, “Other debt securities,” that represent exposures to corporate entities and special purpose vehicles (SPVs).
  - If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Schedule HC-R, Part II, item 9(c).
  - Also include the portion of the fair value of any trading assets that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.
  - Also include the fair value of trading assets reported in Schedule HC, item 5, that is not included in columns C through N and R. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Schedule HC-R, Part II, item 9(c).

- **In column J-150% risk weight**, include:
  - The exposure amounts of trading assets reported in Schedule HC, item 5, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.
  - The fair value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules.

- For non-advanced approaches holding companies, also include the fair value of publicly traded and not publicly traded equity exposures and equity exposures to investment funds (including mutual funds) reported in Schedule HC, item 5, to the extent that the aggregate carrying value of the holding company’s equity exposures does not exceed 10 percent of total capital. If the holding company’s aggregate carrying value of equity exposures is greater than 10 percent of total capital, the holding company must report its trading equity exposures in columns L, M, or N, as appropriate.

- For advanced approaches holding companies, also include the fair value of non-significant equity exposures reported in Schedule HC, item 5, to the extent that the aggregate carrying value of the exposures does not exceed 10 percent of total capital. To utilize this risk weight, the holding company must aggregate the following equity exposures: unconsolidated small business investment companies or held through consolidated small business investment companies; publicly traded (including those held indirectly through mutual funds or other investment funds); and non-publicly traded (including those held indirectly through mutual funds or other investment funds).

- **In column K-250% risk weight**, include:
  - The exposure amounts of trading assets reported in Schedule HC, item 5, that are past due 90 days or more or in nonaccrual status (except sovereign exposures), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- The fair value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules,
Schedule HC-R

holding companies subject to the expanded risk-based approach

included in Schedule HC, item 5, excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- **In column K-250% risk weight, for advanced approaches holding companies only**, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D, item 9, that do not qualify as securitization exposures that represents 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 the regulatory capital rules. If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding type of trading assets.

- **In column L-300% risk weight**, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D, item 9, that do not qualify as securitization exposures that represent publicly traded equity securities with readily determinable fair values (NOTE: Certain investments in mutual funds reported in Schedule HC-D, item 9, may be risk-weighted using the simple risk-weight and look-through approaches as described in §.51 to .53 of the regulatory capital rules). If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding types of trading assets.

- **In column M-400% risk weight**, if the holding company completes Schedule HC-D, include the fair value of those trading assets reported in Schedule HC-D, item 9, that do not qualify as securitization exposures that represent equity securities (other than those issued by investment firms) that do not have readily determinable fair values. If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding type of trading assets.

- **In columns R and S-Application of Other Risk-Weighting Approaches**, include the portion of any trading assets reported in Schedule HC, item 5, that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

- Include in column R the fair value of the portion of a trading asset that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the simple approach in §.37. In addition the holding company must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-up
Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

- Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the trading asset secured by such collateral. Any remaining portion of the trading asset that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J.

For further information, see the discussions of “Treat ment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule HC-R, Part II.

- In columns R and S-Application of Other Risk-Weighting Approaches, also include the holding company’s equity exposures to investment funds (including mutual funds) reported as trading assets in Schedule HC, item 5, if the aggregate carrying value of the holding company’s equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach as described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of “Treatment of Equity Exposures” in the General Instructions for Schedule HC-R, Part II.

- 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 reported in Schedule HC-D that are directly and unconditionally guaranteed by foreign central governments or are exposures on foreign banks 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 reported in Schedule HC-D, item 4, “Mortgage-backed securities,” and

  - Other debt securities reported in Schedule HC-D item 5, “Other debt securities,” issued by foreign banks and foreign sovereign units.

  - If the holding company does not complete Schedule HC-D, include the portion of the amount reported in Schedule HC, item 5, that represents the fair value of the preceding types of trading assets. Exclude those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures and report them in Schedule HC-R, Part II, item 9(c).

8 All other assets. Report in column A the sum of the amounts reported in Schedule HC, item 6, “Premises and fixed assets”; item 7, “Other real estate owned”; item 8, “Investments in unconsolidated subsidiaries and associated companies”; item 9, “Direct and indirect investments in real estate ventures”; item 10, “Intangible assets;” and item 11, “Other assets,” excluding those assets reported in Schedule HC, items 6 through 11, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. The amount of those assets reported in Schedule HC, items 6 through 11, that qualify as securitization exposures must be reported in Schedule HC-R, Part II, item 9(d), column A.
The sum of Schedule HC-R, Part II, item 8, columns B through R (including items 8(a) and 8(b), column R), must equal Schedule HC-R, Part II, item 8, column A. Amounts reported in Schedule HC-R, Part II items 8(a) and 8(b), column R, should not also be reported in Schedule HC-R Part II, item 8 column R.

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

If the reporting holding company 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”), the holding company should adjust the asset amount reported in column A of this item for any amounts included in Schedule HC, item 26(b), “Accumulated other comprehensive income”, 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 HC-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 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 in Schedule HC, item 26(b), 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.

• For all holding companies: In column B, include the amount of:
  o Any goodwill reported in Schedule HC-M, item 12.b, without regard to any associated DTLs;
  o Intangible assets (other than goodwill and mortgage servicing assets (MSAs)) reported as a deduction from common equity tier 1 capital in Schedule HC-R, Part I, item 7, without regard to any associated DTLs;
  o 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 HC-R, Part I, item 8;
  o The fair value of over-the-counter derivative contracts (as defined in §.2 of the regulatory capital rules) and derivative contracts that are cleared transactions (as described in §.2 of the regulatory capital rules) that are reported as assets in Schedule HC, item 11 (banks should risk weight the credit equivalent amount of these derivative contracts in Schedule HC-R, Part II, item 20 or 21, as appropriate);

• Note: The fair value of derivative contracts reported as assets in Schedule HC, item 11, that are neither over-the-counter derivative contracts nor derivative contracts that are cleared transactions under §.2 of the regulatory capital rules should not be reported in column B. Such derivative contracts include written option contracts, including so-called “derivative loan commitments,” i.e., a lender’s...
commitment to originate a mortgage loan that will be held for resale. The fair value of such derivative contracts should be reported in the appropriate risk-weight category in this item 8; and

• Unsettled transactions (failed trades) that are reported as “Other assets” in Schedule HC, item 11. For purposes of risk weighting, unsettled transactions are to be reported in Schedule HC-R, Part II, item 22.

• For non-advanced approaches holding companies: In column B, include the amount of:
  o Investments in the capital of unconsolidated financial institutions that are reported in Schedule HC, item 8 or item 11, and have been deducted from capital in Schedule HC-R, Part I, item 13.a, item 24, and item 43; and
  o Items subject to the 25 percent common equity tier 1 capital threshold limitations that have been deducted for risk-based capital purposes in Schedule HC-R, Part I, items 13 through 15. These excess amounts pertain to three items:
    • Investments in the capital of unconsolidated financial institutions;
    • MSAs; and
    • DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

• For advanced approaches holding companies: In column B, also include the amount of:
  o Non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that are reported in Schedule HC, item 8 or item 11, and have been deducted from capital in Schedule HC-R, Part I, item 11, item 17, item 24, and item 43;
  o Investments in nonqualifying excluded covered debt instruments that are reported in Schedule HC, item 8 or item 11, and have been deducted from capital in Schedule HC-R, Part I, item 17, item 24, and item 45;
  o Significant investments in the capital and covered debt instruments of unconsolidated financial institutions not in the form of common stock that are reported in Schedule HC, item 8 or item 11, and have been deducted from capital in Schedule HC-R, Part I, item 17, item 24, and item 43; and
  o 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 HC-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;
    • MSAs; and
    • DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances.

A holding company that has adopted CECL includes the relevant portion (reflected as a negative number) related to all other assets of Schedule HI-B, Part II, Memorandum item 6, “Allowance for credit losses on other financial assets measured at amortized cost,” less Schedule HC-R, part II, Memorandum item 5(c), “Amount of allowances for credit losses on purchased credit deteriorated assets: Other financial assets measured at amortized cost.” For example, if a firm reports $100 in Schedule HI-B, Part II, Memorandum item 6, and $10 in Schedule HC-R, part II, Memorandum...
item 5(c), the firm would report ($90) in this column B.

A holding company that has adopted CECL and has elected to apply the 3-year CECL transition provision (3-year CECL electing holding company) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount from temporary difference DTAs, in accordance with section 301 of the regulatory capital rules. Specifically, a 3-year CECL electing institution reduces its temporary difference DTAs by 75 percent of its DTA transitional amount during the first year of the transition period, 50 percent of its DTA transitional amount during the second year of the transition period, and 25 percent of its DTA transitional amount during the third year of the transition period.

A holding company that has adopted CECL and has elected to apply the 5-year 2020 CECL transition provision (5-year CECL electing holding company) should report as a positive number in column B the amount by which it has decreased its DTAs arising from temporary differences for its applicable DTA transitional amount in accordance with section 301 of the regulatory capital rules. Specifically, a 5-year CECL electing holding company reduces its temporary difference DTAs by 100 percent of its DTA transitional amount during the first and second years of the transition period, 75 percent of its DTA transitional amount during the third year of the transition period, 50 percent of its DTA transitional amount during the fourth year of the transition period, and 25 percent of its DTA transitional amount during the fifth year of the transition period.

Report as a negative number in column B the amount of default fund contributions in the form of commitments made by a clearing member to a central counterparty’s mutualized loss sharing arrangement.

• In column C-0% risk weight, include:
  o The carrying value of Federal Reserve Bank stock included in Schedule HC-F, item 4;
  o Accrued interest receivable on assets included in the zero percent risk weight category (column C of Schedule HC-R, Part II, items 1 through 7);
  o 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 or 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; and

• In column G-20% risk weight, include:
  o The carrying value of Federal Home Loan Bank stock included in Schedule HC-F, item 4;
  o Accrued interest receivable on assets included in the 20 percent risk weight category (column G of Schedule HC-R, Part II, items 1 through 7);
  o The carrying value of assets purchased through the Money Market Mutual Fund Liquidity Facility that are reported in Schedule HC, item 11;
  o The portion of customers’ acceptance liability reported in Schedule HC, item
11, that has been participated to other depository institutions; and

- The portion of assets reported in Schedule HC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of these assets covered by FDIC loss-sharing agreements.

- In column H-50% risk weight, include accrued interest receivable on assets included in the 50 percent risk weight category (column H of Schedule HC-R, Part II, items 1 through 7). Also include the portion of assets reported in Schedule HC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- In column I-100% risk weight, include:
  
  - Accrued interest receivable on assets included in the 100 percent risk weight category (column I of Schedule HC-R, Part II, items 1 through 7);
  
  - The amount of all other assets reported in column A that is not included in columns B through N or R.
  
  - Publicly traded and not publicly equity exposures, equity exposures without readily determinable fair values, and equity exposures to investment funds, to the extent that the aggregate carrying value of the holding company’s equity exposures does not exceed 10 percent of total capital. If the holding company’s aggregate carrying value of equity exposures is greater than 10 percent of total capital, the holding company must report its equity exposures reported in Schedule HC, items 6 through 11 in either columns L, M, or N, as appropriate; and
  
  - The portion of assets reported in Schedule HC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- In column J-150% risk weight, include accrued interest receivable on assets included in the 150 percent risk weight category (column J of Schedule HC-R, Part II, items 1 through 7). Also include the portion of assets reported in Schedule HC, items 6 through 11, that is secured by collateral or has a guarantee that qualifies for the 150 percent risk weight.

- In column K-250% risk weight, include:
  
  - Significant investments in the capital of unconsolidated financial institutions in the form of common stock (advanced approaches holding companies only);
  
  - MSAs (all holding companies); and
  
  - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances (all holding companies).

- In column L-300% risk weight, include the fair value of publicly traded equity securities with readily determinable fair values that are reported in Schedule HC, items 8 and 9.

- In column M-400% risk weight, include the historical cost of equity securities (other than those issued by investment firms) that do not have readily determinable fair values that are reported in Schedule HC-F, item 4.

- In column N-600% risk weight, include the historical cost of equity securities issued by investment firms that do not have readily determinable fair values that are reported in Schedule HC-F, item 4.

- In columns R and S of item 8-Application of Other Risk-Weighting Approaches, include the portion of any asset reported in
Schedule HC, items 6 through 11, (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of item 8(a) and 8(b) respectively), that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

- Include in column R the carrying value of the portion of an asset that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the simple approach in §.37.

- In addition, the holding company must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

- Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the asset secured by such collateral. Any remaining portion of the asset that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule HC-R, Part II.

- In columns R and S of item 8-Application of Other Risk-Weighting Approaches, also include the holding company’s equity exposures to investment funds (including mutual funds) reported in Schedule HC, item 8 or 11 (except separate account bank-owned life insurance and default fund contributions to central counterparties, which are to be reported in columns R and S of item 8(a) and 8(b) respectively), if the aggregate carrying value of the holding company’s equity exposures is greater than 10 percent of total capital. Report in column R the exposure amount of these equity exposures to investment funds. Report in column S the risk-weighted asset amount of these equity exposures to investment funds as measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach as described in §.53 of the regulatory capital rules. All three of these approaches require a minimum risk weight of 20 percent. For further information, refer to the discussion of “Treatment of Equity Exposures” in the General Instructions for Schedule HC-R, Part II.

- In columns R and S of item 8.a-Separate Account Bank-Owned Life Insurance, include the holding company’s investments in separate account life insurance products, including hybrid separate account life insurance products. Exclude from columns R and S any investment in bank-owned life insurance that is solely a general account insurance product (report such general account insurance products in column I-100 percent risk weight). Report in column R the carrying value of the holding company’s investments in separate account life insurance products, including hybrid separate account products. Report in column S the risk-weighted asset amount of these insurance products. When a holding company has a separate account policy, the portion of the carrying value that represents general account claims on the insurer,
including items such as deferred acquisition costs (DAC) and mortality reserves realizable as of the balance sheet date and any portion of the carrying value attributable to a Stable Value Protection (SVP) contract, these amounts should be risk weighted at the 100 percent risk weight as claims on the insurer or the SVP provider. The remaining portion of the investment in separate account life insurance products is an equity exposure to an investment fund that should be measured under the full look-through approach, the simple modified look-through approach, or the alternative modified look-through approach, all three of which require a minimum risk weight of 20 percent. For further information, refer to the discussion of “Treatment of Equity Exposures” in the General Instructions for Schedule HC-R, Part II.

- In columns R and S of item 8.b-Default Fund Contributions to Central Counterparties

Note: Item 8(b) only applies to holding companies that are clearing members, and therefore will not be applicable to the vast majority of holding companies. Holding companies must report the aggregate on-balance sheet amount of default fund contributions to central counterparties (CCPs) in column A. Holding companies must report the aggregate off-balance sheet amount, if any, of default fund contributions to central counterparties as a negative amount in column B of item 8. Holding companies must report the aggregate on- and off-balance sheet amount of such contributions in column R. See §.35(d) of the regulatory capital rules for more details.

Clearing Member holding companies must report in column S the total amount of risk-weighted assets (RWAs) for a clearing member holding company’s default fund contributions to all non-qualifying CCPs; and,

- Component B: the sum of risk-weighted assets for a clearing member holding company’s default fund contributions to all qualifying central counterparties (QCCPs).

Report the sum of Components A and B in Schedule HC-R, Part II, item 8(b), column S.

Component A: risk-weighted asset amount for default fund contributions to non-qualifying CCPs

As required by §.35(d)(2) of the regulatory capital rules, a clearing member holding company’s risk-weighted asset amount for default fund contributions to CCPs that are not QCCPs equals the sum of such default fund contributions multiplied by 1,250 percent, or an amount determined by the holding company’s federal supervisor based on factors such as size, structure and membership characteristics of the CCP and riskiness of its transactions, in cases where such default fund contributions may be unlimited. Therefore, unless otherwise advised by its supervisor or through agency-issued guidance, a holding company will sum each of its non-QCCP default fund contributions, and multiply the total by 1,250 percent, and add any additional risk-weighted asset amount determined by the agency, if any. This will be Component A above.

Component B: risk-weighted asset amount for default fund contributions to QCCPs

A clearing member holding company’s risk-weighted asset amount for default fund contributions to QCCPs equals the sum of its capital requirement, KCM for each QCCP, as calculated under the methodology set forth §.35(d)(3) or §.133(d) of the regulatory capital rules.

When a holding company uses CEM to determine the risk-weighted asset of its default fund contributions, the regulatory
capital rule provides two methods to determine the capital requirement for a clearing member holding company’s default fund contributions to a QCCP. A clearing member holding company may use either method. A clearing member holding company’s risk-weighted asset amount for default fund contributions to a QCCP equals the sum of its capital requirement, KCM, for each QCCP as calculated under Method 1 multiplied by 1,250 percent, or under Method 2.

Method 1: The holding company calculates the capital charge for a clearing member in a 3-step process, depending on the funded status of the QCCP. The process is summarized briefly below:

• Step 1: The holding company must calculate the hypothetical capital requirement of all the trades conducted through the QCCP as if the QCCP were a bank. This depends on the type of trade and netting sets with each counterparty. Alternately, the QCCP may provide this number to the clearing member.

• Step 2: The holding company compares the hypothetical capital requirement (calculated in Step 1) to the funded default fund of the QCCP to include the internally funded resources of the QCCP. This step determines the aggregate capital requirement for all clearing members assuming a default of two average clearing members.

• Step 3: The aggregate capital requirement of all clearing members (assuming the default of two members) is then allocated back to the individual clearing member firm and converted to a risk-weighted asset amount.

Using the 3-step process and formulas provided in the regulatory capital rules, the holding company will determine a dollar capital requirement for its default fund contribution for each QCCP (K_{CMi}). The holding company must then multiply each K_{CMi} by 1,250 percent to calculate the risk-weighted asset amount. The holding company must sum the RWAs calculated for each QCCP default fund contribution to produce a total RWA amount for all QCCP default fund contributions for which the holding company uses this method. For example, the total RWA amount for a holding company with default fund contributions to two QCCPs will be the sum of KCMi for QCCP A and KCMi for QCCP B. This sum will be included in Component B above for all QCCPs for which the holding company uses method 1.

Method 2: Under Method 2, the risk weighted assets for a clearing member’s default fund contribution is the minimum of:

• 1,250 percent times the holding company’s funded contributions to the QCCP default fund, or,

• 18 percent times the total trade exposures of the member to the QCCP.

A holding company will make this calculation for each QCCP for which it uses Method 2. The sum of RWAs for all QCCP contributions for which the holding company uses Method 2 will be included in Component B above.

When a holding company SA-CCR to determine the risk-weighted asset amount of its default fund contributions, the regulatory capital rules provide that a clearing member holding company first calculates the hypothetical capital requirement of the QCCP (KCCP), unless the QCCP has already disclosed it, in which case the holding company must rely on that disclosed figure. In either case, a holding company may choose to use a higher amount of KCCP than the minimum calculated under the formula or disclosed by the QCCP if the holding company has concerns about the nature, structure, or characteristics of the QCCP.

For purposes of calculating KCCP, the PFE multiplier includes collateral held by a
QCCP in which the QCCP has a legal claim in the event of the default of the member or client, including default fund contributions of that member. In addition, the QCCP must use a margin period of risk of 10 days in the maturity factor. The component EADi includes both the clearing member holding company’s own transactions, the client transactions guaranteed by the clearing member, and all values of collateral held by the QCCP (including the clearing member holding company’s pre-funded default fund contributions) against these transactions. Notwithstanding §133(d)(5) and (6)(ii) of the regulatory capital rules, with the prior approval of the regulator, a holding company may rely on a hypothetical capital requirement of a QCCP based on a methodology other than SA-CCR for calculating the exposure amount of a clearing member of a QCCP to the QCCP.

A holding company that elects to use SA-CCR is allowed to continue to use method 1 or method 2 in under CEM to calculate the risk-weighted asset amount for default fund contributions until January 1, 2022.

- The portion of Schedule HC, items 6 through 11, that must be risk-weighted according to the Country Risk Classification (CRC) methodology:

  o 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 described above in the instructions for Schedule HC-R, Part II, item 8 that are exposures on sovereigns or foreign banks that do not qualify as securitization exposures.

9  **On-balance sheet securitization exposures.** 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 (Schedule HC-R, Part II, 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.

Holding companies subject to the market risk capital rule must use the SSFA when determining the amount of risk-weighted assets for securitization exposures.

For further information, refer to the discussion of “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule HC-R, Part II.

9(a) **Held-to-maturity securities.** Report in column A the amount of held-to-maturity (HTM) securities reported in Schedule HC, item 2(a), that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule HC-R, Part II, item 2(a), for a summary of the reporting locations of HTM securitization exposures.

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 HC-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 HC-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.

- In column B
  - If an HTM securitization exposure will be risk-weighted by using the 1,250 percent risk weight approach, report any difference between the carrying value of the HTM securitization exposure reported in column A of this item and the exposure amount of the HTM securitization exposure that is to be risk weighted.
  - If an HTM securitization exposure will be risk-weighted using either the SSFA or the Gross-Up Approach, report the carrying value of the HTM securitization exposure reported in column A of this item.

A holding company that has adopted CECL includes the relevant portion (reflected as a negative number) related to securitization exposures of Schedule HI-B, Part II, item 7, Column B, balance end of current period for HTM Securities, less Schedule HC-R, part II, Memorandum item 5(b), “Amount of allowances for credit losses on purchased credit deteriorated assets: Held-to-maturity securities.” For example, if a firm reports $100 in HI-B, Part II, item 7, Column B, and $10 in Schedule HC-R, part II, Memorandum item 5(b), the firm would report ($90) in this column B.

- In column Q, report the exposure amount of those HTM securitization exposures that are assigned a 1,250 percent risk weight (i.e., those HTM securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).
- In column T, report the risk-weighted asset amount (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 U, report the risk-weighted asset amount (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 Schedule HC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

9(b) Available-for-sale debt securities. Report in column A the fair value of those available-for-sale (AFS) debt securities reported in Schedule HC, item 2(b), that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule HC-R, Part II, item 2(b), for a summary of the reporting locations of AFS securitization exposures.

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 HC-R, Part I, item 3(a):
For an AFS debt security that is a securitization exposure where the holding company cannot make or has not made the AOCI opt-out election (i.e., most AOCI is included in regulatory capital), the exposure amount of the AFS securitization exposure to be risk weighted by the holding company is the carrying value of the debt security, which is the value of the asset reported on the balance sheet of the holding company (Schedule HC,
Schedule HC-R

item 2(b)) determined in accordance with GAAP (i.e., the fair value of the available-for-sale debt security) and in column A of this item.

Exposure amount to be used for purposes of risk weighting - holding company has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a):
For an AFS debt security that is a securitization exposure where the holding company has made the AOCI opt-out election (i.e., most AOCI is not included in regulatory capital), the exposure amount of the AFS securitization exposure to be risk weighted by the holding company is the carrying value of the debt security, less any unrealized gain on the exposure plus any unrealized loss on the exposure included in AOCI.

- In column B
  - If an AFS securitization exposure will be risk weighted using the 1,250 percent risk weight approach, 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. This difference equals the amounts reported in Schedule HC-B, items 4 and 5, column D, minus items 4 and 5, column C, for those AFS debt securities included in these items that are securitization exposures. When fair value exceeds cost, report the difference as a positive number in Schedule HC-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 HC-R, Part II, item 9(b), column B.

  - If an AFS securitization exposure will be risk weighted using either the SSFA or the Gross-Up Approach, a holding company should report carrying value of the AFS securitization exposure reported in column A of this item.

- In column Q, report the exposure amount of those AFS securitization exposures that are assigned a 1,250 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 T, report the risk-weighted asset amount (not the exposure amount) of those AFS securitization exposures for which the risk-weighted asset amount is calculated using the SSFA, as described above in the General Instructions for Schedule HC-R Part II and in §.41 to §.45 of the regulatory capital rules.

- In column U, report the risk-weighted asset amount (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 Schedule HC-R Part II, and in §.41 to §.45 of the regulatory capital rules.

Example 1: A holding company reports an AFS securitization exposure on its balance sheet in Schedule HC, item 2(b), at a carrying value (i.e., fair value) of $105. The amortized cost of the AFS securitization exposure is $100. The AFS securitization exposure has a $5 unrealized gain that is included in AOCI.

The holding company would report has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a). The AFS securitization exposure will be risk weighted using the 1,250 percent risk weight approach. The holding company would report in Schedule HC-R, Part II, item 9(b):

- $105 in Column A. This is the carrying value of the AFS securitization exposure on the holding company’s balance sheet.

- $5 in Column B. This is the difference between the carrying value (i.e., fair value) of the AFS securitization exposure and its exposure amount that is subject to risk-weighting. For a holding company that has made the AOCI opt-out election, column B
will typically represent the amount of unrealized gain or unrealized loss on a securitization exposure. Gains are reported as positive numbers; losses as negative numbers. (Note: if the holding company has not made or cannot make the AOCI opt-out election, there will not be an adjustment to be reported in column B.)

- $100 is the exposure amount subject to risk-weighting. This amount will be reported in item 9(b), column Q - 1,250 percent risk weight. For a holding company that has made the AOCI opt-out election, the exposure amount typically will be the carrying value (i.e., fair value) of the AFS securitization exposure excluding any unrealized gain or loss.

Example 2: A holding company reports an AFS securitization exposure on its balance sheet in Schedule HC, item 2(b), at a carrying value (i.e., fair value) of $105. The AFS securitization exposure has a $5 unrealized gain that is included in AOCI. The holding company has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a). The AFS securitization exposure will be risk weighted using the Gross-Up Approach and it is assigned a 900 percent risk weight using this approach. The holding company would report in Schedule HC-R, Part II, item 9(b):

- $105 in Column A. This is the carrying value of the AFS securitization exposure on the holding company’s balance sheet.

- $105 in Column B. When the Gross-Up Approach is being used, the carrying amount of the AFS securitization exposure on the holding company’s balance sheet is to be reported in column B. Because the holding company has made the AOCI opt-out election, the $105 carrying amount consists of two components: (i) $100 is the exposure amount subject to risk-weighting at 900 percent, and (ii) $5 is difference between the carrying value and the exposure amount that is subject to risk-weighting.

- $900 reported in Column U. This is the risk-weighted asset amount of the AFS securitization exposure. This amount ($900) will be reported in item 9(b), column U - Gross-Up. (Note: $900 is the product of the $100 exposure amount multiplied by a 900 percent risk weight.)

9(c) **Trading assets.** Report in column A the fair value of those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule HC-R, Part II, item 7, for a summary of the reporting locations of trading assets that are securitization exposures.

If the holding company is subject to the market risk capital rule, report in column B the fair value of those securitization exposures reported in column A of this item that are covered positions as defined in Schedule HC-R, Part II, item 27. The holding company will report its standardized market risk-weighted assets in Schedule HC-R, Part II, item 27.

For holding companies not subject to the market risk capital rule and for those trading assets held by holding companies subject to the market risk capital rule that are securitization exposures that do not meet the definition of a covered position:

- **In column B,** report the fair value reported in column A of this item for those trading assets reported in Schedule HC, item 5, 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 assigned a 1,250 percent risk weight (i.e., those trading asset securitization exposures for which the risk-weighted asset amount is not calculated using the SSFA or the Gross-Up Approach).

- **In column T,** report the risk-weighted asset amount (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 Schedule HC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

• In column U, report the risk-weighted asset amount (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 Schedule HC-R, 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 included in Schedule HC that qualify as securitization exposures as defined in §.2 of the regulatory capital rules and are not reported in Schedule HC-R, Part II, items 9(a), 9(b), or 9(c). Refer to the instructions for Schedule HC-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 HC-R, Part I, item 3(a), include in this item any accrued but uncalled interest and fees associated with held-to-maturity, available-for-sale, and trading securitization exposures reported in Schedule HC, item 11, “Other assets.”

Exposure amount to be used for purposes of risk weighting - holding company has made the AOCI opt-out election in Schedule HC-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 assigned a 1,250 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 T, report the risk-weighted asset amount (not the exposure amount) of those other on-balance sheet securitization exposures where the holding company cannot or has not made the AOCI opt-out election for Schedule HC-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.
Approach, as described above in the General Instructions for Schedule HC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.

10 Off-balance sheet securitization exposures.
Report in column A the notional amount of all derivatives and off-balance sheet items reported in Schedule HC-L or Schedule HC-S that qualify as securitization exposures as defined in §.2 of the regulatory capital rules. Refer to the instructions for Schedule HC-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, a 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 of the regulatory capital rules, 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, §.37, §.132, or §.133, as applicable, of the regulatory capital rules.

For a credit-enhancing representation and warranty that is an off-balance sheet securitization exposure, see the discussion of “Treatment of Sales of 1-4 Family Residential First Mortgage Loans with Credit-Enhancing Representations and Warranties,” which includes an example, in the General Instructions for Schedule HC-R, Part II.

- In column B, report the notional 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 assigned a 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 T, report the risk-weighted asset amount (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 Schedule HC-R, Part II, and in §.41 to §.45 of the regulatory capital rules.
• In column U, report the risk-weighted asset amount (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 Schedule HC-R, Part II, and in §§.41 to §§.45 of the regulatory capital rules.

11 Total assets. For columns A through R, report the sum of items 1 through 9. The sum of columns B through R must equal column A. Schedule HC-R, Part II, item 11, column A, must equal Schedule HC, item 12, “Total assets.”

Derivatives, Off-Balance Sheet Items, and Other Items Subject to Risk Weighting (Excluding Securitization Exposures)

Treatment of Derivatives and Off-Balance Sheet Items that are Securitization Exposures - Any derivatives or off-balance sheet items reported in Schedule HC-L or Schedule HC-S that qualify as securitization exposures, including liquidity facilities to asset-back commercial paper programs, are to be reported in Schedule HC-R, Part II, item 10, column A, and excluded from Schedule HC-R, Part II, items 12 through 21 below.

Repo-style transactions - The regulatory capital rules permit some repo-style transactions to be risk weighted on a netting set basis. Where netting is permitted, a holding company will combine both on-balance and off-balance sheet repo-style transactions in order to determine a capital requirement for a netting set to a single counterparty. In such cases, a holding company should combine securities purchased under agreements to resell (i.e., reverse repos) and securities sold under agreements to repurchase (i.e., repos) with off-balance sheet repo-style transactions (i.e., securities borrowing and securities lending transactions) in Schedule HC-R, Part II, item 16, and report the netting set exposure to each counterparty under the appropriate risk weight column.

Credit Conversion Factors for Off-Balance Sheet Items - A summary of the credit conversion factors (CCFs) by which the exposure amount of off-balance sheet items are to be multiplied follows. For further information on these factors, refer to the regulatory capital rules.

Off-balance sheet items subject to a zero percent CCF:

(1) Unused portions of commitments that are unconditionally cancelable at any time by the bank holding company.

Off-balance sheet items subject to a 20 percent CCF:

(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 CCF:

(1) Transaction-related contingent items, including performance standby letters of credit, bid bonds, performance bonds, and warranties.

(2) Commercial and similar letters of credit with an original maturity exceeding one year.

(3) Commitments with an original maturity exceeding one year that are not unconditionally cancelable by the bank, including underwriting commitments and commercial credit lines.

Off-balance sheet items subject to a 100 CCF:

(1) Financial standby letters of credit.

(2) Repo-style transactions, including off-balance sheet securities lending transactions, off-balance sheet securities borrowing transactions, securities purchased under agreements to resell, and securities sold under agreements to repurchase.

(3) Guarantees, certain credit-enhancing representations and warranties, and forward agreements.

Item No. Caption and Instructions

12 Financial standby letters of credit. For financial standby letters of credit reported in Schedule HC-L, item 2, 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 in Schedule HC-L, item 2, that do not meet the definition of a securitization exposure, report in column A the amount outstanding and unused of these letters of credit.

- In column B, report 100 percent of the amount reported in column A.
- In column C-0% risk weight, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule HC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
- In column G-20% risk weight, include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule HC-L, item 3, that have been conveyed to foreign banks.
- In column H-50% risk weight, include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule HC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
- 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. Also include the credit equivalent amount of the portion of financial standby letters of credit reported in Schedule HC-L, item 2, that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

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 in Schedule HC-L, item 2, that have been conveyed to foreign banks.

13 Performance standby letters of credit and transaction-related contingent items. Report in column A transaction-related contingent items, which includes the face amount of performance standby letters of credit reported in Schedule HC-L, item 3, 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.

- In column B, report 50 percent of the face amount reported in column A.
- In column C-0% risk weight, include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule HC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
- In column G-20% risk weight, include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule HC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.
- In column H-50% risk weight, include the credit equivalent amount of the portion of performance standby letters of credit, performance bids, bid bonds, and warranties reported in Schedule HC-L, item 3, that have been conveyed to U.S. depository institutions. Also include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule HC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.
Schedule HC-R

- **In column H-50% risk weight,** include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule HC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- **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. Also include the credit equivalent amount of the portion of performance standby letters of credit and transaction-related contingent items reported in Schedule HC-L, item 3, that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- 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 reported in Schedule HC-L, item 3, that have been conveyed to foreign banks.

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, reported in Schedule HC-L, item 4, 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 HC-R, Part II, item 18(b).
  - In column B, report 20 percent of the face amount reported in column A.
  - In column C-0% risk weight, include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule HC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
  - 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, reported in Schedule HC-L, item 4, that have been conveyed to U.S. depository institutions. Also include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule HC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.
  - In column H-50% risk weight, include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule HC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
  - 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. Also include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule HC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
  - In column J-150% risk weight, include the credit equivalent amount of the portion of commercial or similar letters of credit with an original maturity of one year or less reported in Schedule HC-L, item 4, that are secured by collateral or has a guarantee that qualifies for the 150 percent risk weight.
guarantee that qualifies for the 100 percent risk weight.

- 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, reported in Schedule HC-L, item 4, that have been conveyed to foreign banks.

Retained recourse on small business obligations sold with recourse. Report in column A the amount of retained recourse on small business obligations reported in Schedule HC-S, Memorandum item 1(b), 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 HC-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.

- In column B, report 100 percent of the amount reported in column A.
- In column C-0% risk weight, include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule HC-S, Memorandum item 1(b), that are secured by collateral or has a guarantee that qualifies for the zero percent risk weight.
- In column G-20% risk weight, include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule HC-S, Memorandum item 1(b), that are secured by collateral or has a guarantee that qualifies for the 20 percent risk weight.
- In column H-50% risk weight, include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule HC-S, Memorandum item 1(b), that are secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
Schedule HC-R

• **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. Also include the credit equivalent amount of the portion of retained recourse on small business obligations sold with recourse reported in Schedule HC-S, Memorandum item 1(b), that are secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

16 **Repo-style transactions. Repo-style transactions include:**

- Securities lending transactions, including transactions in which the holding company acts as an agent for a customer and indemnifies the customer against loss. Securities lent are reported in Schedule HC-L, item 6(a).

- Securities borrowing transactions. Securities borrowed are reported in Schedule HC-L, item 6(b).

- Securities purchased under agreements to resell (i.e., reverse repos). Securities purchased under agreements to resell are reported in Schedule HC, item 3(b).

- Securities sold under agreements to repurchase (i.e., repos). Securities sold under agreements to repurchase are reported in Schedule HC, item 14(b).\[^{40}\]

Report in column A the exposure amount of repo-style transactions that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules.

For repo-style transactions to which the holding company applies the Simple Approach to recognize the risk-mitigating effects of qualifying financial collateral, as outlined in §.37 of the regulatory capital rules, the exposure amount to be reported in column A is the sum of the fair value as of the report date of securities the holding company has lent,\[^{41}\] the amount of cash or the fair value as of the report date of other collateral the holding company has posted for securities borrowed, the amount of cash provided to the counterparty for securities purchased under agreements to resell (as reported in Schedule HC, item 3(b), and the fair value as of the report date of securities sold under agreements to repurchase.

For repo-style transactions to which the holding company applies the Collateral Haircut Approach to recognize the risk-mitigating effects of qualifying financial collateral, as outlined in §.37 of the regulatory capital rules, the exposure amount to be reported in column A for a repo-style transaction or a single-product netting set of such transactions is determined by using the exposure amount equation in §.37(c) of the regulatory capital rules.

A holding company may apply either the Simple Approach or the Collateral Haircut Approach to repo-style transactions; however, the holding company must use the same approach for similar exposures or transactions. For further information, see the discussion of “Treatments of Collateral and Guarantees” in the General Instructions for Schedule HC-R, Part II.

- **In column B**, report 100 percent of the exposure 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).

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\[^{40}\] Although securities purchased under agreements to resell and securities sold under agreements to repurchase are reported on the balance sheet (Schedule HC) as assets and liabilities, respectively, they are included with securities lent and securities borrowed and designated as repo-style transactions that are treated collectively as off-balance sheet items under the regulatory capital rules.

\[^{41}\] For held-to-maturity securities that have been lent, the amortized cost of these securities is reported in Schedule HC-L, item 6(a), but the fair value of these securities should be reported as the exposure amount in column A of this item.
• 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 percent 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 H-50% risk weight, include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 50 percent risk weight under the regulatory capital rules.

• 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, J, and R. Also include the credit equivalent amount of repo-style transactions that are supported by the appropriate amount of collateral that qualifies for the 100 percent risk weight under the regulatory capital rules.

• 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.

• In columns R and S-Application of Other Risk-Weighting Approaches, include the portion of repo-style transactions that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure collateral under the simple approach or the collateral haircut approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the repo-style exposure may not be less than 20 percent.

  o Include in column R the portion of repo-style transactions secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the simple approach or the collateral haircut approach, respectively; however, the holding company must apply the same approach for all repo-style transactions. In addition, if the holding company applies the simple approach, it must apply the same approach - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

  o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of repo-style transactions secured by such collateral. Any remaining portion of the repo-style exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of ‘‘Treatment of Collateral and Guarantees’’ and ‘‘Risk-Weighted Assets for Securitization Exposures’’ in the General Instructions for Schedule HC-R, Part II.
• Repo-style transactions that must be risk-weighted according to the Country Risk Classification (CRC) methodology
  o 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:
    o The credit equivalent amount of repo-style transactions that represents exposures to foreign central banks and foreign banks.

Examples: Reporting Securities Sold Under Agreements to Repurchase (Repos) Under the Simple Approach for Recognizing Effects of Collateral
§.37 of the regulatory capital rules provides for the recognition of the risk-mitigating effects of collateral when risk-weighting assets collateralized by financial collateral, as defined in §.2. The following examples illustrate the calculation of risk-weighted assets and the reporting of securities sold under agreements to repurchase (repos) in Schedule HC-R, Part II, item 16, using the Simple Approach.

Example 1: Security sold under agreement to repurchase fully collateralized by cash.
A holding company has transferred an available-for-sale (AFS) debt security to a counterparty in a repo transaction that is accounted for as a secured borrowing on the bank’s balance sheet. The bank received $100 in cash from the repo counterparty in this transaction. The amortized cost and the fair value of the AFS debt security are both $100 as of the report date.42 The debt security is an exposure to a U.S. government sponsored entity (GSE) that qualifies for a 20 percent risk weight. The repo counterparty is a company that would receive a 100 percent risk weight.

Calculation of risk-weighted assets for the transaction:
1. The holding company continues to report the AFS GSE debt security as an asset on its balance sheet and to risk weight the security as an on-balance sheet asset at 20 percent:43
   a. $100 x 20% = $20
2. The holding company has a $100 exposure to the repo counterparty (the report date fair value of the security transferred to the counterparty) that is collateralized by the $100 of cash received from the counterparty. The holding company risk weights its exposure to the repo counterparty at zero percent in recognition of the cash received in the transaction from the counterparty: $100 x 0% = $0
3. There is no additional exposure to the repo counterparty to risk weight because the exposure to the counterparty is fully collateralized by the cash received.

Total risk-weighted assets arising from the transactions: $20
The holding company would report the transaction as follows:
1. The holding company reports the AFS debt security in Schedule HC-R, Part II, item 2(b):
   a. The $100 carrying value (i.e., fair value) of the AFS debt security on the balance sheet will be reported in column A.44
   b. The $100 exposure amount of the AFS debt security will be reported in column G - 20 percent risk weight (which is the applicable risk weight for a U.S. GSE debt security).
2. The holding company reports the repurchase agreement in Schedule HC-R, Part II, item 16:
   a. The holding company’s $100 exposure to the repo counterparty, which is the fair value of its exposure amount in Examples 1 and 2.

42. In both Example 1 and Example 2, because the fair value carrying value of the AFS GSE debt security equals the amortized cost of the debt security, a holding company that has made the AOCI opt-out election in Schedule HC-R, Part I, item 3(a), does not need to adjust the carrying value (i.e., the fair value) of the debt security to determine the exposure amount of the security. Thus, for a holding company that has made the AOCI opt-out election, the carrying value of the AFS debt security equals

43. See footnote 32.

44. See footnote 32.
the debt security transferred in the repo trans-
action, is the exposure amount to be reported in column A.

b. The $100 credit equivalent amount of the holding company’s exposure to the repo counterparty will be reported in column B.

c. Because the holding company’s exposure to the repo counterparty is fully collateralized by the $100 of cash received from the counterparty, the $100 credit equivalent amount of the repurchase agreement will be reported in column C - 0 percent risk weight (which is the applicable risk weight for cash collateral).

<table>
<thead>
<tr>
<th>2(b). AFS Securities</th>
<th>(Column A) Totals from Schedule HC</th>
<th>(Column B) Adjustments</th>
<th>(Column C)</th>
<th>(Column G)</th>
<th>(Column I)</th>
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<tr>
<th>16. Repo-style Transactions</th>
<th>(Column A) Face or notional</th>
<th>(Column B) Credit Equiv.</th>
<th>(Column C)</th>
<th>(Column G)</th>
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Example 2: Security sold under an agreement to repurchase (repo) not fully collateralized by cash.

A holding company has transferred an AFS debt security to a counterparty in a repo transaction that is accounted for as a secured borrowing on the bank’s balance sheet. The holding company received $98 in cash from the repo counterparty in this transaction. The amortized cost and the fair value of the AFS debt security are both $100 as of the report date.\(^{45}\) The debt security is an exposure to a U.S. GSE that qualifies for a 20 percent risk weight. The repo counterparty is a company that would receive a 100 percent risk weight.

Calculation of risk-weighted assets for the transaction:

1. The bank continues to report the AFS GSE debt security as an asset on its balance sheet and to riskweight the security as an on-balance sheet asset at 20 percent:\(^{46}\)
   \[ \$100 \times 20\% = \$20 \]
2. The holding company has a $100 exposure to the repo counterparty (the report date fair value of the security transferred to the counterparty) of which $98 is collateralized by the cash received from the counterparty. The holding company risk weights the portion of its exposure to the repo counterparty that is collateralized by the cash received from the counterparty at zero percent: $98 \times 0\% = $0
3. The holding company risk weights its $2 uncollateralized exposure to the repo counterparty using the risk weight applicable to the counterparty: $2 \times 100\% = $2

Total risk-weighted assets for the above transactions: $22

The holding company would report the transaction in Schedule HC-R, Part II, as follows:

1. The holding reports the AFS debt security in item 2(b):
   a. The $100 carrying value (i.e., the fair value) of the AFS debt security on the balance sheet will be reported in column A.\(^{47}\)

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\(^{45}\) See footnote 32.

\(^{46}\) See footnote 32.

\(^{47}\) See footnote 32.
### Schedule HC-R

b. The $100 exposure amount of the AFS debt security will be reported in column G-20% risk weight (which is the applicable risk weight for a U.S. GSE debt security).

c. Because the holding company’s exposure to the repo counterparty is collateralized by the $98 of cash received from the counterparty, $98 of the $100 credit equivalent amount of the repurchase agreement will be reported in column C-0% risk weight (which is the applicable risk weight for cash collateral).

d. The $2 uncollateralized exposure to the repo counterparty will be reported in column I-100% risk weight (which is the applicable risk weight for the repo counterparty).

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<tr>
<th>2(b). AFS Securities</th>
<th>(Column A) Totals from Schedule HC</th>
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17 **All other off-balance sheet liabilities.** Report in column A:

- The notional amount of all other off-balance sheet liabilities reported in Schedule HC-L, item 9, 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, and

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48. The definition of credit-enhancing representations and warranties in §.2 of the regulatory capital rules states that such representations and warranties obligate a holding company “to protect another party from losses arising from the credit risk of the underlying exposures” and “include provisions to protect a party from losses resulting from the default or nonperformance of the counterparties of the underlying exposures or from an insufficiency in the value of the collateral backing the underlying exposures.” Thus, when loans or other assets are sold “with recourse” and the recourse arrangement provides protection from losses as described in the preceding definition, the recourse arrangement constitutes a credit-enhancing representation and warranty.
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• 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.

However, exclude from column A:

• The amount of credit derivatives classified as trading assets that are subject to the market risk capital rule (report in Schedule HC-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 rules, i.e., credit derivatives on which the holding company is the beneficiary (report the guaranteed asset or exposure in Schedule HC-R, Part II, in the appropriate balance sheet or off-balance sheet category - e.g., item 5, “Loans and leases, held for investment” - and in the risk weight category applicable to the derivative counterparty - e.g., column G - 20% risk weight - rather than the risk weight category applicable to the obligor of the guaranteed asset), and

• The notional amount of standby letters of credit issued by another depository institution, a Federal Home Loan Bank, or any other entity on behalf of the reporting holding company that are reported in Schedule HC-L, item 9, because these letters of credit are not covered by the regulatory capital rules.

• 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 HC-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 HC-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 HC-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 J. Include the credit equivalent amount of liabilities to 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 HC-R, Part II, items 1 through 8, above.

• 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 HC-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 exposures to foreign central banks and foreign banks.

18 Unused commitments. (Exclude unused commitments to asset-backed commercial paper conduits.) Report in items 18(a) and 18(b) the amounts of unused commitments, excluding those that are unconditionally cancelable, which are to be reported in Schedule HC-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) and 18(b) 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 HC-R, Part II, item 10, column A. Also exclude default fund contributions in the form of commitments made by a clearing member to a central counterparty’s mutualized loss sharing arrangement. Such default fund contributions must be reported (as a negative number) in Schedule HC-R, Part II, item 8, column B.

18(a) Original maturity of one year or less. Report in column A the unused portion of those unused commitments reported in Schedule HC-L, item 1, with an original maturity of one year or less.

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 unconditionally cancelable commitments should be excluded from this item and reported in Schedule HC-R, Part II, item 19. For further information, see the instructions for 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 commitments 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 HC-R, Part II, items 1 through 8, above.
- In column G-20% risk weight, include the credit equivalent amount of unused commitments 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 HC-R, Part II, items 1 through 8, above.
- In column H-50% risk weight, include the credit equivalent amount of unused commitments 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 HC-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, J, and R. Include the credit equivalent amount of unused commitments to 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...
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Risk-Weighted Assets and for Schedule HC-R, Part II, items 1 through 8, above.

- **In column J-150% risk weight**, include the credit equivalent amount of unused commitments 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 HC-R, Part II, items 1 through 8, above.

- **In columns R and S-Application of Other Risk-Weighting Approaches**, include the portion of unused commitments that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of an unused commitment may not be less than 20 percent.

  - Include in column R the portion of unused commitments secured by the fair value of securitization exposure or mutual fund collateral as determined under the simple approach. In addition, the holding company must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

  - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of unused commitments secured by such collateral. Any remaining portion of the unused commitment that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of ‘‘Treatment of Collateral and Guarantees’’ and ‘‘Risk-Weighted Assets for Securitization Exposures’’ in the General Instructions for Schedule HC-R, Part II.

- 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.

  - *The credit equivalent amount of those unused commitments described above in the instructions for Column A of this item that represent exposures to foreign banks.*

**18(b) Original maturity exceeding one year.**

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 reported in Schedule HC-L, item 1, 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 reported in Schedule HC-L, item 4, 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 unconditionally cancelable commitments should be excluded from this item and reported in Schedule HC-R, Part II, item 19. For further information, see the instructions for item 19.

Also include in column A the unused portion 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(b) 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 HC-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 HC-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 HC-R, Part II, items 1 through 8, above. Include the credit equivalent amount of those commercial and similar letters of credit reported in Schedule HC-L, item 4, 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 HC-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, J, and R. Also 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 100 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, Part II, items 1 through 8, above.

• *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 HC-R, Part II, items 1 through 8, above.

• *In columns R and S-Application of Other Risk-Weighting Approaches,* include the portion of unused commitments that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of an unused commitment may not be less than 20 percent.

  - Include in column R the portion of unused commitments secured by the fair value of securitization exposure or mutual fund collateral as determined under the simple approach. In addition, the holding company must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

  - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of unused commitments secured by such collateral. Any remaining portion of the unused commitment that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule HC-R, Part II.

- 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 banks.

    - The credit equivalent amount of those commercial and similar letters of credit reported in Schedule HC-L, item 4, with an original maturity exceeding one year that have been conveyed to foreign banks.

19 **Unconditionally cancelable commitments.**

Report the unused portion of those unconditionally cancelable commitments reported in Schedule HC-L, item 1, that are subject to the regulatory capital rules. The unused portion
### Over-the-counter derivatives

| | Report in column B the credit equivalent amount of over-the-counter derivative contracts covered by the regulatory capital rules. As defined in §2 of the regulatory capital rules, an over-the-counter (OTC) derivative contract is a derivative contract that is not a cleared transaction.  
| | Include OTC credit derivative contracts held for trading purposes and subject to the market risk capital rule. Include the client-facing leg of a derivative contract cleared through a central counterparty or a qualified central counterparty, which is to be reported as an over-the-counter derivative. Otherwise, do not include the credit equivalent amount of centrally cleared derivative contracts, which must be reported in Schedule HC-R, Part II, item 21. 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 HC-R, Part II, item 10.  
| | The credit equivalent amount of a noncleared derivative contract to be reported in column B is determined under one of two methods, the Current Exposure Method (CEM), as described in 12 CFR 217.34(b) of the regulatory capital rule, or the Standardized Approach for Counterparty Credit Risk (SA-CCR), as described in 12 CFR 217.132(c) of the regulatory capital rule. Under the regulatory capital rule, a holding company not subject to the expanded risk-based approach may elect to use CEM or SA-CCR to determine the credit equivalent amount of a noncleared derivative contract. Such a holding company must notify the Board before using SA-CCR and must use the same methodology to calculate the exposure amount for all its derivative contracts, including centrally cleared derivative transactions, and may change its election only with the prior approval of the Board. A holding company subject to the expanded risk-based approach must use SA-CCR to determine the credit equivalent amount of a derivative contract for purposes of standardized approach total risk-weighted assets and the supplementary leverage ratio. 

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49. An OTC derivative includes a transaction:

1. Between an institution that is a clearing member and a counterparty where the institution is acting as a financial intermediary and enters into a cleared transaction with a central counterparty (CCP) that offsets the transaction with the counterparty; or
2. In which an institution that is a clearing member provides a CCP a guarantee on the performance of the counterparty to the transaction.
Schedule HC-R

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<th>Noncleared derivative contracts</th>
<th>Cleared transactions framework</th>
<th>Default fund contribution</th>
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<tbody>
<tr>
<td>Holding companies subject to the expanded risk-based approach, expanded risk-based advanced approaches</td>
<td>Option to use SA-CCR or Internal Models Methodology</td>
<td>Must use the approach selected for purposes of noncleared derivative contracts</td>
<td>Must use SA-CCR</td>
</tr>
<tr>
<td>Holding companies subject to the expanded risk-based approach, standardized approach total risk-weighted assets</td>
<td>Must use SA-CCR</td>
<td>Must use SA-CCR</td>
<td>Must use SA-CCR</td>
</tr>
<tr>
<td>Non-advanced approaches</td>
<td>Holding companies not subject to the expanded risk-based approach, standardized approach total risk-weighted assets</td>
<td>Option to use CEM or SA-CCR</td>
<td>Must use the approach selected for purposes of noncleared derivative contracts</td>
</tr>
<tr>
<td>Advanced approaches</td>
<td>Holding companies subject to the expanded risk-based approach, supplementary leverage ratio</td>
<td>Must use SA-CCR to determine the exposure amount of derivative contracts for total leverage exposure</td>
<td></td>
</tr>
<tr>
<td>Holding companies subject to Category III capital standards, supplementary leverage ratio</td>
<td>Option to use CEM or SA-CCR to determine the exposure amount of derivative contracts for total leverage exposure</td>
<td></td>
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</tbody>
</table>

When using the CEM, 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 HC-R, Part II, Memorandum item 1) plus the potential future exposure (PFE) 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 PFE 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 HC-R, Part II, Memorandum items 2(a) through 2(g).
Under the Board’s regulatory capital rules and for purposes of Schedule HC-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 HC-R, Part II, Memorandum item 1, and § .34 of the regulatory capital rules.

When assigning 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.

When using SA-CCR, 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 HC-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 § .132 of the regulatory capital rule. When using SA-CCR, a holding company should use the value of the replacement cost amount for its current credit exposure.

Under SA-CCR, the determination of the replacement cost depends on whether the counterparty to a holding company is required to post variation margin pursuant to a variation margin agreement. The replacement cost for a netting set that is not subject to a variation margin agreement is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the net independent collateral amount and the variation margin amount applicable to such derivative contracts; (2) the sum of the variation margin threshold and the minimum transfer amount applicable to the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts; or (3) zero. PFE under SA-CCR is equal to the product of the PFE multiplier and the aggregated amount. To determine the aggregated amount, a holding company is required to determine the hedging set amounts for the derivative contracts within a netting set, where a hedging set is comprised of derivative contracts that share similar risk factors based on asset class (e.g., interest rate, exchange rate, credit, equity, and commodity).

- 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 HC-R, Part II, items 1 through 8, above. This includes over-the-counter derivative contracts that are marked-to-market on a daily basis and subject to a daily margin maintenance requirement, to
the extent the contracts are collateralized by cash on deposit at the reporting institution.

- **In column F-10% risk weight**, include the credit equivalent amount of over-the-counter derivative contracts that are marked-to-market on a daily basis and subject to a daily margin maintenance requirement, to the extent the contracts are collateralized by a sovereign exposure that qualifies for a zero percent risk weight under §.32 of the regulatory capital rules.

- **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 HC-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 HC-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, J, and R.

- **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 HC-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, J, and R.

- **In columns R and S-Application of Other Risk-Weighting Approaches**, include the portion of over-the-counter derivative contracts that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach or the collateral haircut approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the over-the-counter derivative exposure may not be less than 20 percent.

  - Include in column R the portion of over-the-counter derivative contracts secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the simple approach or the collateral haircut approach, respectively; however, the holding company must apply the same approach for all over-the-counter derivative contracts. In addition, if the holding company applies the simple approach, it must apply the same approach - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

  - Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of over-the-counter derivative contracts secured by such collateral. Any remaining portion of the over-the-counter derivative exposure that is uncollateralized or collateralized by...
other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of “Treatment of Collateral and Guarantees” and “Risk-Weighted Assets for Securitization Exposures” in the General Instructions for Schedule HC-R, Part II.

21 **Centrally cleared derivatives.** Report in column B the credit equivalent amount of centrally cleared derivative contracts covered by the regulatory capital rules. As described in §.2 of the regulatory capital rules, a centrally cleared derivative contract is an exposure associated with an outstanding derivative contract that an institution, or an institution that is a clearing member has entered into with a central counterparty (CCP), that is, a transaction that a CCP has accepted. Include centrally cleared credit derivative contracts held for trading purposes that are subject to the market risk capital rule and meet the operational requirements for counterparty credit risk in §.3 of the regulatory capital rules. However, do not include the client-facing leg of a derivative contract cleared through a CCP or a qualified CCP, which is to be reported as an over-the-counter derivative in Schedule HC-R, Part II, item 20. For information on the regulatory capital treatment of settled-to-market contracts, see the discussion of “Treatment of Certain Centrally Cleared Derivative Contracts” in the General Instructions for Schedule HC-R, Part II. 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 HC-R, Part II, item 10.

The credit equivalent amount of a centrally cleared derivative contract to be reported in column B is determined under either §.35 or §.133 of the regulatory capital rules. Under the regulatory capital rule, a non-advanced approaches holding company that elects to calculate the exposure amount for its OTC derivative contracts using the Standardized Approach— Counterparty Credit Risk Method (SA-CCR), as described in §.132(c), must apply the treatment of cleared transactions under §.133 to its derivative contracts that are cleared transactions and to all default fund contributions associated with such derivative contracts, rather than applying §.35. A non-advanced approaches holding company must use the same methodology to calculate the exposure amount for all its derivative contracts and may change its election only with the prior approval of the Board. An advanced approaches holding company must apply the treatment of cleared transactions under §.133 of the regulatory capital rules to its derivative contracts that are cleared transactions and to all default fund contributions associated with such derivative contracts.

When using the Current Exposure Method (CEM), the credit equivalent amount of a centrally cleared derivative contract is the sum of its current credit exposure (as reported in Schedule HC-R, Part II, Memorandum item 1), plus the potential future exposure (PFE) over the remaining life of the derivative contract, plus the fair value of collateral posted by the clearing member client and held by the CCP 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

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**Notes:**
- **FR Y-9C**
- **Schedule HC-R**
- **March 2020**
- **HC-R-137**
### Schedule HC-R

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

Requirements are reported by remaining maturity in Schedule HC-R, Part II, Memorandum items 3(a) through 3(g).

When using SA-CCR, the credit equivalent amount of a centrally cleared derivative contract equals an alpha factor of 1.4 multiplied by the sum of its current credit exposure (as reported in Schedule HC-R, Part II, Memorandum item 1), plus the PFE over the remaining life of the derivative contract, plus the fair value of collateral posted by the clearing member client bank and held by the CCP or a clearing member in a manner that is not bankruptcy remote. When using SA-CCR, a holding company should use the value of the replacement cost amount for its current credit exposure.

Under SA-CCR, the determination of the replacement cost depends on whether the counterparty to a holding company is required to post variation margin. The replacement cost for a netting set that is not subject to a variation margin agreement is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts, or (2) zero. For a netting set that is subject to a variation margin agreement where the counterparty is required to post variation margin, replacement cost is equal to the greater of (1) the sum of the fair values (after excluding any valuation adjustments) of the derivative contracts within the netting set, less the sum of the net independent collateral amount and the variation margin amount applicable to such derivative contracts; (2) the sum of the variation margin threshold and the minimum transfer amount applicable to the derivative contracts within the netting set, less the net independent collateral amount applicable to such derivative contracts; or (3) zero. PFE under SA-CCR is equal to the product of the PFE multiplier and the aggregated amount. To determine the aggregated amount, a bank is required to determine the hedging set amounts for the derivative contracts within a netting set, where a hedging set is comprised of derivative contracts that share similar risk factors based on asset class (e.g., interest rate, exchange rate, credit, equity, and commodity).

When using the SA-CCR method, a holding company may elect to treat settled-to-market derivative contracts as subject to a variation margin agreement and receive the benefits of netting with collateralized-to-market derivative contracts. If a holding company elects to treat settled-to-market derivative contracts as subject to a variation margin agreement, it must apply the maturity factor to such contracts under 12 CFR 217.132(c)(9)(iv)(A) of the regulatory capital rules. The maturity factor of a derivative contract that is subject to a variation margin agreement, excluding derivative contracts that are subject to a variation...
margin agreement under which the counterparty is not required to post variation margin, is determined by the following formula:

\[ Maturity \ Factor = \frac{2}{3} \sqrt{\frac{MPOR}{250}} \]

where MPOR refers to the period from the most recent exchange of collateral under a variation margin agreement with a defaulting counterparty until the derivative contracts are closed out and the resulting market risk is re-hedged.

- In column C-0% risk weight, include the credit equivalent amount of centrally cleared derivative contracts with CCPs and other counterparties who meet, or that have guarantees or collateral that meet the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-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 QCCPs in all other cases that do not meet the qualification criteria for a 2 percent 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 other 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 HC-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 other 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 HC-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 other 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 HC-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 other 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 HC-R, Part II, items 1 through 8, above.

### Unsettled transactions (failed trades).

Note: This item includes unsettled transactions in the reporting holding company’s trading book and in its banking book. Report as unsettled transactions all on- and off-balance sheet transactions involving securities, foreign exchange instruments, and commodities that have a risk of delayed settlement or delivery, or are already delayed, and against which the reporting holding company must hold risk-based capital as described in §.38 of the regulatory capital rules.

For delivery-versus-payment (DvP) transactions and payment-versus-payment (PvP) transactions, report in column A the positive current exposure of those unsettled transactions with a normal settlement period in which the reporting holding company’s counterparty has not made delivery or payment within five business days after the settlement date, which are the DvP and PvP transactions subject to risk weighting under §.38 of the regulatory capital rules. Positive current exposure is equal to the difference between the transaction value at the agreed settlement price and the current market price of the transaction, if the difference results in a credit exposure of the holding company to the counterparty.

For delayed non-DvP/non-PvP transactions, also include in column A the current

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50. Delivery-versus-payment transaction means a securities or commodities transaction in which the buyer is obligated to make payment only if the seller has made delivery of the securities or commodities and the seller is obligated to deliver the securities or commodities only if the buyer has made payment.

51. Payment-versus-payment transaction means a foreign exchange transaction in which each counterparty is obligated to make a final transfer of one or more currencies only if the other counterparty has made a final transfer of one or more currencies.

52. Non-DvP/non-PvP transaction means any other delayed or unsettled transaction that does not meet the definition of a delivery-versus-payment or a payment-versus-payment transaction.

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fair value of the deliverables owed to the holding company by the counterparty in those transactions with a normal settlement period in which the reporting holding company has delivered cash, securities, commodities, or currencies to its counterparty, but has not received its corresponding deliverables, which are the non-DvP/non-PvP transactions subject to risk weighting under §.38 of the regulatory capital rules.

Do not include in this item: (1) cleared transactions that are marked-to-market daily and subject to daily receipt and payment of variation margin; (2) repo-style transactions, including unsettled repo-style transactions; (3) one-way cash payments on over-the-counter derivatives; and (4) transactions with a contractual settlement period that is longer than the normal settlement period (generally greater than 5 business days).

- In column C-0% risk weight, include the fair value of deliverables owed to the holding company by a counterparty that qualifies for a zero percent risk weight under §.32 of the regulatory capital rules that have been delayed one to four business days for non-DvP/non-PvP transactions.

- In column G-20% risk weight, include the fair value of deliverables owed to the holding company by a counterparty that qualifies for a 20 percent risk weight under §.32 of the regulatory capital rules that have been delayed one to four business days for non-DvP/non-PvP transactions.

- In column H-50% risk weight, include the fair value of deliverables owed to the holding company by a counterparty that qualifies for a 50 percent risk weight under §.32 of the regulatory capital rules that have been delayed one to four business days for non-DvP/non-PvP transactions.

- In column I-100% risk weight, include:
  - The fair value of deliverables owed to the holding company by a counterparty that qualifies for a 100 percent risk weight under §.32 of the regulatory capital rules.
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that have been delayed one to four business days for non-DvP/non-PvP transactions.

- The positive current exposure of DvP and PvP transactions in which the counterparty has not made delivery or payment within 5 to 15 business days after the contractual settlement date.

- In column J-150% risk weight, include the fair value of deliverables owed to the holding company by a counterparty that qualifies for a 150 percent risk weight under §.32 of the regulatory capital rules that have been delayed one to four business days for non-DvP/non-PvP transactions.

- In column O-625% risk weight, the positive current exposure of 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.

- In column P-937.5% risk weight, the positive current exposure of 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.

- In column Q-1250% risk weight, include:
  - The positive current exposure of DvP and PvP transactions in which the counterparty has not made delivery or payment within 46 or more business days after the contractual settlement date;
  - The fair value of the deliverables in Non-DvP/non-PvP transactions in which the holding company has not received deliverables from the counterparty five or more business days after which the delivery was due.

23 Total assets, derivatives, off-balance sheet items, and other items subject to risk weighting by risk weight category. For each of columns C through P, report the sum of items 11 through 22.

24 Risk weight factor.

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

26 Risk-weighted assets base for purposes of calculating the allowance for loan and lease losses, 1.25 percent threshold. Report the sum of:

- Schedule HC-R, Part II:
  - Items 2(b) through 20, column S;
  - Items 9(a), 9(b), 9(c), 9(d), and 10, columns T and U; and
  - Item 25, columns C through Q

- Schedule HC-R, Part I:
  - The portion of item 10(b) composed of “Investments in the holding company’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,”
  - Item 11 (advanced approaches holding companies only)
  - Items 13 through 15: items 13.a, 14.a, and 15.a for non-advanced approaches holding companies and 13 through 16: items 13.b, 14.b, 15.b, and 16, column B, for advanced approaches holding companies
  - Item 24, excluding the portion of item 24 composed of tier 2 capital deductions reported in Part I, item 43, for which the holding company does not have a sufficient amount of tier 2 capital before deductions reported in Part I, item 42.a, to absorb these deductions, and
  - Item 43.

For holding companies that have adopted the current expected credit losses methodology (CECL), the risk-weighted assets base reported in...
this item 26 is for purposes of calculating the adjusted allowances for credit losses (AACL) 1.25 percent threshold.

NOTE: Item 27 is applicable only to holding companies that are subject to the market risk capital rule.

27 **Standardized market risk-weighted assets.** Report the amount of the holding company’s standardized market risk-weighted assets. This line item is applicable only to those holding companies covered by Subpart D of the regulatory capital rules (i.e., the market risk capital rule), as provided in §201 of the regulatory capital rules.

A holding company’s measure for market risk for its covered positions is the sum of its value-at-risk (VaR)-based, stressed VaR-based, incremental risk, and comprehensive risk capital requirements plus its specific risk add-ons and any capital requirement for de minimis exposures. A holding company’s market risk-weighted assets equal its measure for market risk multiplied by 12.5 (the reciprocal of the minimum 8.0 percent capital ratio).

A covered position is a trading asset or trading liability (whether on- or off-balance sheet), as reported on Schedule HC-D, that is held for any of the following reasons:

1. For the purpose of short-term resale;
2. With the intent of benefiting from actual or expected short-term price movements;
3. To lock in arbitrage profits; or
4. To hedge another covered position.

Additionally, the trading asset or trading liability must be free of any restrictive covenants on its tradability or the holding company must be able to hedge the material risk elements of the trading asset or trading liability in a two-way market. A market risk covered position also includes a foreign exchange or commodity position, regardless of whether the position is a trading asset or trading liability (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions).

A covered position does not include:

1. An intangible asset (including any servicing asset);
2. A hedge of a trading position that is outside the scope of the holding company’s hedging strategy;
3. Any position that, in form or substance, acts as a liquidity facility that provides support to asset-backed commercial paper;
4. A credit derivative recognized as a guarantee for risk-weighted asset calculation purposes under the regulatory capital rules for credit risk;
5. An equity position that is not publicly traded (other than a derivative that references a publicly traded equity);
6. A position held with the intent to securitize;
7. A direct real estate holding;
8. A position or a market risk covered position, as calculated under section 204 of the agencies’ market risk rule,

[Report the amount calculated on FFIEC 102 line item XX.]

See Insert B

28 **Risk-weighted assets before deductions for excess allowance for loan and lease losses, and allocated transfer risk reserve.** Report the sum of items 2(b) through 20, column S; items 9(a), 9(b), 10, columns T and U; item 25, columns C through Q; and, if applicable, item 27. (Item 27 is applicable only to holding companies that are subject to the market risk capital rule).

For holding companies that have adopted the current expected credit losses methodology (CECL), the risk-weighted assets reported in this item 28 represents the amount of risk-weighted assets before deductions for excess adjusted allowances for credit losses (AACL) and allocated transfer risk reserve.

29 **LESS: Excess allowance for loan and lease losses.** Report the amount, if any, by which the holding company’s ALLL or AACL, as applicable for regulatory reporting purposes, exceeds 1.25 percent of the holding company’s risk-weighted assets base reported in Schedule HC-R, Part II, item 26.

For a holding company that has not adopted the current expected credit losses methodology (CECL), the holding company’s ALLL
Schedule HC-R

Insert A

1. A foreign exchange or commodity position (excluding structural foreign currency positions if supervisory approval has been granted to exclude such positions and eligible CVA hedges that mitigate the exposure component of CVA risk);
2. A publicly traded equity position or an equity position in an investment fund (except as excluded below);
3. Net short risk positions of $20 million or more;
4. Embedded derivatives on instruments that the bank issued that relate to credit or equity risk that it bifurcates for accounting purposes;
5. The trading desk segment of an eligible internal risk transfer of credit risk or of interest rate risk as described in section .205(h) of the market risk rule;
6. A position arising from a transaction between a trading desk and an external party conducted as part of an internal risk transfer described in section 205(h) of the market risk rule;
7. The trading desk segment of an internal risk transfer of CVA risk;
8. The CVA segment of an internal risk transfer that is not an eligible CVA hedge; and
9. A CVA hedge with an external party that is not an eligible CVA hedge.

Insert B

4. An equity position that is publicly traded with restrictions on tradability or is not publicly traded and not an equity position in an investment fund;
5. An equity position in an investment fund that does not meet the criteria for a market risk covered position in section 202 of the market risk rule;

Insert C

8. A derivative instrument or an exposure to a fund that has material exposure to the instrument types described in (1) through (8) as underlying assets;
9. A debt security, for which the bank elects the fair value option for purposes of asset and liability management;
10. A significant investment in the capital of unconsolidated financial institutions in the form of common stock that is not deducted from capital pursuant to section 22(c)(6) of the capital rule;
11. An instrument held for the purpose of hedging a particular risk of a position in the types of instruments described in (1) through (10); or
12. An eligible CVA hedge with an external party or the CVA segment of an internal risk transfer that is an eligible CVA hedge.
for regulatory capital purposes equals Schedule HC, item 4(c), “Allowance for loan and lease losses,” less any allocated transfer risk reserve included in Schedule HC, item 4(c) plus Schedule HC-G, item 3, “Allowance for credit losses on off-balance sheet credit exposures.” If a holding company’s ALLL or AACL, as applicable for regulatory capital purposes, as defined in the preceding sentence, exceeds 1.25 percent of Schedule HC-R, Part II, item 26, the amount to be reported in this item equals the holding company’s ALLL or AACL, as applicable for regulatory capital purposes less Schedule HC-R, Part I, item 40(a), “Allowance for loan and lease losses includable in Tier 2 capital.”

For a holding company that has adopted CECL, the holding company’s AACL for regulatory capital purposes equals Schedule H, Part II, item 7, columns A and B, “Balance end of current period” for loans and leases held for investment and held-to-maturity debt securities, respectively; plus Schedule HI-B, Part II, Memorandum item 6, “Allowance for credit losses on other financial assets measured at amortized cost (not included in item 7, above)”; less Schedule HC-R, Part II, sum of Memorandum items 5(a), 5(b) and 5(c) “Amount of allowances for credit losses on purchased credit-deteriorated assets” for loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, respectively; less any allocated transfer risk reserve included in Schedule HI-B, Part II, item 7, columns A and B, and Memorandum item 6; plus Schedule HC-G, item 3, “Allowance for credit losses on off-balance sheet credit exposures.”

For a holding company that has not adopted CECL, the sum of the amounts reported in Schedule HC-R Part I, item 40(a), and Schedule HC-R, Part II, item 29, must equal Schedule HC item 4(c) less any allocated transfer risk reserve included in Schedule HC item 4(c), plus Schedule HC-G, item 3.

30 **LESS: Allocated transfer risk reserve.** 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 (which is reported in Schedule HI-B, Part II, Memorandum item 1) plus the ATRR for assets other than loans and leases held for investment.

31 **Total risk-weighted assets.** Report the amount derived by subtracting items 29 and 30 from item 28.

**Note:** Items Memo 1, 2 and 3, columns A, B and C are to be reported semiannually in June and December by HC with less than $5 billion in total assets.

### 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 when using the Current Exposure Method (CEM) or replacement cost amount when using the Standardized Approach - Counterparty Credit Risk Method (SA-CCR) after considering qualified master netting agreement, as defined under the capital rule derivative contracts that are over-the-counter derivative contracts (as defined in §2 of the regulatory capital rules) and all derivative contracts that are cleared transactions (as described in §2 of the regulatory capital rules) and all derivative contracts that are cleared transactions (as described in §2 of the regulatory capital rules) and all derivative contracts that are cleared transactions (as described in §2 of the regulatory capital rules), and are covered by §34, §35, §132, and §133 of the regulatory capital rules, as applicable. Holding companies that are subject to the market risk capital rule should exclude all covered positions subject to that rule, except for foreign exchange derivatives that are outside of the trading account. Foreign exchange derivatives that are outside of the trading account and all over-the-counter derivatives continue to have a counterparty credit risk capital charge and, therefore, a
current credit exposure amount for these derivatives should be reported in this item.

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

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

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

Purchased options held by the reporting 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 the notional amount of the option should be included in Schedule HC-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 HC-R, Part II, item 10.

Current credit exposure, when using CEM, or replacement cost, when using SA-CCR, 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 HC-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 §.34 or §.132 of the regulatory capital rules.\(^5\) 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 HC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the OTC derivative 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.

Regardless of whether a holding company uses the standardized approach for counterparty credit risk (SA-CCR) or the current exposure methodology (CEM) to calculate exposure amounts for its derivative contracts, report in Schedule HC-R, Part II, memorandum items 2.a through 2.g, the notional amounts of the contracts, as this term is defined in U.S. generally accepted accounting principles, unless a derivative contract has a multiplier component as discussed in the following paragraph.

The notional amount or par value to be reported for an OTC derivative contract with a multiplier component under SA-CCR and CEM 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 percent and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.)

The notional amount to be reported for an amortizing OTC derivative contract under SA-CCR and CEM 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 Schedule HC-L, item 12. For a description of “credit derivative contracts,” refer to the instructions for Schedule HC-L, item 7.

Exclude from this item the notational amount of OTC written contracts, including so-called “derivative loan commitments,” which are not subject to §.34 of the regulatory capital rules.

When using SA-CCR, include gold in the precious metals category for Schedule HC-R, Part II, Memorandum items 2.f and 3.f and exclude gold from the foreign exchange rate category for Schedule HC-R, Part II, Memorandum items 2.b and 3.b.

When using SA-CCR, a holding company may elect to treat a credit or equity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. Thus, under this election, a holding company would apply the SA-CCR methodology to each decomposed component of the index instead of applying the SA-CCR methodology to the index derivative contract. A holding company must allocate the notional amount in the same category that it elected for purposes of applying the regulatory capital rules.

\(^5\) See the instructions for Schedule HC-R, Part II, item 20, for the definition of an OTC derivative contract.
When using SA-CCR, a holding company may elect to treat a commodity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. A holding company must allocate the notional amount in the same category that it elected for purposes of applying the regulatory capital rules.

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.

M3 Notional principal amounts of centrally cleared derivative contracts. Report in the appropriate subitem and column the notional amount or par value of all derivative contracts, including credit derivatives, that are cleared transactions (as described in §2 of the regulatory capital rules) and are subject to §35 of the regulatory capital rules. Such centrally cleared derivative 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 or §1.33 of the regulatory capital rules; such derivative contracts must be reported in Schedule HC-R, Part II, item 10. Report notional amounts and par values in the column corresponding to the centrally cleared derivative 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.

Regardless of whether a holding company uses the standardized approach for counterparty credit risk (SA-CCR) or the current exposure methodology (CEM) to calculate exposure amounts for its derivative contracts, report in Schedule HCR, Part II, Memorandum items 3.a through 3.g, the notional amounts of the contracts, as this term is defined in U.S. generally accepted accounting principles, unless a derivative contract has a

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54. See the instructions for Schedule HC-R, Part II, item 21, for the description of a centrally cleared derivative contract.
multiplier component as discussed in the following paragraph.

The notional amount or par value to be reported under SA-CCR and CEM for a 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 percent and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.)

The notional amount to be reported under SA-CCR and CEM 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 purposes of reporting remaining maturities in Schedule HC-R, Part II, memoranda 3.a through 3.g, settled-to-market cleared derivatives should be treated in the following manner: When a holding company uses CEM for risk-based capital purposes, if a cleared derivative contract meets the settled-to-market cleared derivative criteria in the banking agencies’ August 2017 supervisory guidance on the regulatory capital treatment of certain centrally cleared derivative contracts, the remaining maturity equals the time until the next exchange of variation margin on the contract.

However, if the holding company elects to treat such a settled-to-market cleared derivative as a collateralized-to-market cleared derivative, the remaining maturity of the derivative should be determined as E – S, where E is the number of business days from the present day (i.e., the report date) until the end date of the derivative contract and S is the number of business days from the present day until the start date of the derivative contract, or S is zero if the start date has already passed.

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

When using SA-CCR, include gold in the precious metals category for Schedule HC-R, Part II, memorandum item 3.f and exclude gold from the foreign exchange rate category for Schedule HC-R, Part II, memorandum item 3.b.

When using SA-CCR, a holding company may elect to treat a credit or equity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. Thus, under this election, a holding company would apply the SA-CCR methodology to each decomposed component of the index instead of applying the SACCR methodology to the index derivative contract. A holding company must allocate the notional amount in the same category that it elected for purposes of applying the regulatory capital rules.

When using SA-CCR, a holding company may elect to treat a commodity derivative contract that references an index as if it were multiple derivative contracts each referencing one component of the index. A holding company must allocate the notional amount

55. For information on the settled-to-market cleared derivative criteria that are to be met, refer also to the discussion of “Treatment of Certain Centrally Cleared Derivative Contracts” in the General Instructions for Schedule HC-R, Part II.

56. See footnote 46.
Schedule HC-R

M4

Standardized—market—risk-weighted assets attributable to specific risk (included in Schedule HC-R, item 27).

NOTE: Memorandum item 4 is applicable only to holding companies that are subject to the market risk capital rule.

Report the amount of the holding company’s market risk-weighted assets attributable to specific risk, included in Schedule HC-R, Part II, item 26, “Standardized measurement of market risk-weighted assets (applicable to all holding companies that are covered by the Market Risk Rule).” Specific risk refers to changes in the market value of specific positions due to factors other than broad market movements and includes event and default risk. For further background information, holding companies should refer to the discussion of “Holding companies that are subject to the market risk capital rules” in the Risk-Weighted Assets section of these instructions, the line item instructions for Schedule HC-R, Part II, item 27, and the regulatory capital rules for specific instructions on the calculation of the measure of market risk.

M5

Amounts of allowances for credit losses on purchased credit-deteriorated assets: ASU 2016-13 introduces the concept of purchased credit-deteriorated (PCD) assets as a replacement for purchased credit-impaired (PCI) assets. The PCD asset definition covers a broader range of assets than the PCI asset definition. As defined in ASU 2016-13, “purchased credit-deteriorated assets” are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) accounted for in accordance with ASC Topic 326, Financial Instruments—Credit Losses, that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by the acquiring institution’s assessment.

ASU 2016-13 requires holding companies to estimate and record a credit loss allowance for a PCD asset at the time of purchase. The credit loss allowance is then added to the purchase price to determine the amortized cost basis of the asset for financial reporting purposes. Post-acquisition increases in credit loss allowances on PCD assets will be established through a charge to earnings. This accounting treatment for PCD assets is different from the current treatment of PCI assets, for which institutions are not permitted to estimate and recognize credit loss allowances at the time of purchase. Rather, in general, credit loss allowances for PCI assets are estimated subsequent to the purchase only if there is deterioration in the expected cash flows from the assets.

NOTE: Memorandum items 5(a) through 5(c) should be completed only by holding companies that have adopted FASB Accounting Standards Update No. 2016-13 (ASU 2016-13), which governs the accounting for credit losses. Institutions that have not adopted ASU 2016-13 should leave Memorandum items 5(a) through 5(c) blank.

5a Amounts of allowances for credit losses on purchased credit-deteriorated assets: Loans and leases held for investment. Report all allowances for credit losses on PCD loans and leases.

5b Amounts of allowances for credit losses on purchased credit-deteriorated assets: Held-to-maturity debt securities. Report all allowances for credit losses on PCD HTM debt securities.

5c Amounts of allowances for credit losses on purchased credit-deteriorated assets: Other financial assets measured at amortized cost. Report all allowances for credit losses on all other PCD assets, excluding PCD loans, leases, HTM debt securities, and AFS debt securities.