

Board of Governors of the Federal Reserve System

Supplemental Instructions

December 2024 FR Y-9C Materials

The Board implemented changes to the FR Y-9C forms and instructions to reflect changes related to the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2022-02 which eliminates the TDR recognition and measurement guidance for entities that have adopted ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." Instead of identifying and accounting for TDRs separately from other loan modifications, all loans modified from the beginning of the fiscal year in which the new standard is adopted by an HC would be accounted for in accordance with Accounting Standards Codification (ASC) 310-20-35, "Receivables - Nonrefundable Fees and Other Costs – Subsequent Measurement," as amended by ASU 2022-02. The forms and instructions have been updated to require that holding companies report loan modifications to borrowers experiencing financial difficulty as described in ASU 2022-02, which includes only those modifications which occurred in the previous 12 months, that are performing in accordance with their modified terms, unless the loan meets the conditions that would require it to be reported in Schedule HC-N, Memorandum item 1. In addition, the Board is clarifying instructions related to accounting for leases, including the Glossary's entry for "Lease Accounting" because the FASB's ASU 2016-02, "Leases" is now effective for all institutions.

For December 2024, the following changes have been made to the Supplemental Instructions (1) the "Accounting for Loan Modifications to Borrowers Experiencing Financial Difficulties" topic has been removed and (2) the "Non-Recurring Expenses" topic has been added to provide guidance on the reporting on the FR Y-9C report.

Non-Recurring Expenses

In the FR Y-9C, non-recurring expenses associated with the impairment of other intangible assets are reported in the same line item, Schedule HI, Line Item 7(c)(2), "Amortization expense and impairment losses for other intangible assets", as amortization expenses for such assets, which are recurring. The FR Y-9C contains a section titled "Notes to Income Statement (Other)," which allows holding companies to explain the content of specific items in the income statement. In this section, a holding company may identify the amount of the expenses reported in Schedule HI, Line Item 7(c)(2) that are related to non-recurring expenses associated with the impairment of other intangible assets.

In the FR Y-9C, certain non-recurring expenses are reported in Schedule HI, Line Item 7(d), "Other noninterest expense." In FR Y-9C, Schedule HI, Memoranda Items M7(a) through 7(p), holding companies must disclose each component of Schedule HI, item 7(d), and the dollar amount of such component, that is greater than \$100,000 and exceeds 7 percent of the "Other noninterest expense." Particular components that meet these criteria, are non-recurring, and are

not reported in memoranda items 7(a) through 7(m), may be identified as a component of Other noninterest expense and briefly described in memoranda items 7(n), 7(o), or 7(p). The text description for such an entry may note that such expenses are non-recurring.

Debt Securities Transferred from Available-for-Sale to Held-to-Maturity

ASC Topic 320, “Investments—Debt Securities,” provides relevant guidance on accounting for debt securities. In accordance with ASC Topic 320, holding companies should categorize an investment in a debt security at acquisition as trading, available-for-sale (AFS), or held-to-maturity (HTM) and retain proper documentation as to its classification. At each reporting date, the appropriateness of a holding company’s classification of the investments in debt securities shall be reassessed.¹ In general, the reassessment of the classification of debt securities should align with the quarterly FR Y-9C dates.

In accordance with ASC Topic 320, any transfers of debt securities between categories are reported on the date of transfer at fair value. As with the initial classification of debt securities, any transfers of debt securities between categories should be well documented. A holding company’s financial records shall be maintained in such a manner as to ensure that the FR Y-9C is prepared in accordance with U.S. GAAP and FR Y-9C instructions and reflect a fair presentation of the holding company’s financial condition and results of operations. Amending a previously submitted FR-Y9C to retroactively report a debt security in another category when such transfer was not documented with evidence supporting the actual date of transfer is inappropriate. Holding companies are responsible for ensuring that FR Y-9C are accurate when initially filed for a quarterly reporting period.

For additional information, refer to ASC Topic 320, FR Y-9C General Instructions, and the FR Y-9C Glossary entries for “Allowance for Credit Losses” and “Securities Activities.”

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The ASU states that “reference rates such as the London Interbank Offered Rate (LIBOR) are widely used in a broad range of financial instruments and other agreements. Regulators and market participants in various jurisdictions have undertaken efforts, generally referred to as reference rate reform, to eliminate certain reference rates and introduce new reference rates that are based on a larger and more liquid population of observable transactions. As a result of this initiative, certain widely used reference rates such as LIBOR are expected to be discontinued.”

The ASU provides optional expedients for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. In particular, the expedients in the ASU are available to be elected by all holding companies,

¹ ASC paragraph 320-10-35-5

subject to meeting certain criteria, for contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. With respect to contracts, the ASU applies to contract modifications that replace a reference rate affected by reference rate reform (including rates referenced in fallback provisions) and contemporaneous modifications of other contract terms related to the replacement of the reference rate (including contract modifications to add or change fallback provisions). The ASU provides optional expedients for applying ASC in the following areas:

- ASC Topics 310, Receivables, and 470, Debt: Modifications of contracts within the scope of these topics should be accounted for by prospectively adjusting the effective interest rate.
- ASC Topic 842, Leases: Modifications of contracts within the scope of this topic should be accounted for as a continuation of the existing contracts with no reassessments of the lease classification and the discount rate (for example, the incremental borrowing rate) or remeasurements of lease payments that otherwise would be required under this topic for modifications not accounted for as separate contracts.
- ASC Subtopic 815-15, Derivatives and Hedging—Embedded Derivatives: Modifications of contracts do not require an entity to reassess its original conclusion about whether that contract contains an embedded derivative that is clearly and closely related to the economic characteristics and risks of the host contract under this subtopic.

For other topics in the ASC, the ASU states a general principle that permits a holding company to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. When elected, a holding company must apply the optional expedients for contract modifications consistently for all eligible contracts or eligible transactions within the relevant ASC topic that contains the guidance that otherwise would be required to be applied.

In addition, the ASU provides exceptions to the guidance in ASC Topic 815, Derivatives and Hedging, related to changes to the critical terms of a hedging relationship due to reference rate reform. The ASU includes examples of changes to these terms that should not result in the designation of the hedging relationship if certain criteria are met. The ASU also provides optional expedients for fair value hedging relationships, cash flow hedging relationships, and net investment hedging relationships for which the component excluded from the assessment of hedge effectiveness is affected by reference rate reform. If certain criteria are met, other optional expedients apply to cash flow hedging relationships affected by reference rate reform and to fair value hedging relationships for which the derivative designated as the hedging instrument is affected by reference rate reform. The optional expedients for hedging relationships may be elected on an individual hedging relationship basis.

Finally, the ASU permits holding companies to make a one-time election to sell, transfer, or both sell and transfer held-to-maturity debt securities that reference a rate affected by reference rate reform and were classified as held-to-maturity before January 1, 2020.

The ASU is effective for all holding companies as of March 12, 2020, through December 31,

2024. For additional information, holding companies should refer to ASU 2020-04, which is available at [Accounting Standards Updates Issued \(fasb.org\)](https://fasb.org).