Supporting Statement for the
Financial Statements for Holding Companies
(FR Y-9 Reports; OMB No. 7100-0128) and the
Consolidated Report of Condition and Income for Edge and Agreement Corporations
(FR 2886b; OMB No. 7100-0086)

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the Financial Statements for Holding Companies (FR Y-9 reports; OMB No. 7100-0128) and the Consolidated Report of Condition and Income for Edge and Agreement Corporations (FR 2886b; OMB No. 7100-0086). These revisions, with two exceptions,[1] would become effective for reports with a March 31, 2021, as-of date. The FR Y-9 information collection comprises of the following five reports:

1) Consolidated Financial Statements for Holding Companies (FR Y-9C);
2) Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP);
3) Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP);
4) Financial Statements for Employee Stock Ownership Plan Holding Companies (FR Y-9ES); and
5) Supplement to the Consolidated Financial Statements for Holding Companies (FR Y-9CS).

The Board requires bank holding companies, most savings and loan holding companies, any securities holding companies, and U.S. intermediate holding companies (collectively, "HCs") to provide standardized financial statements through one or more of the FR Y-9 reports, which the Board uses to identify emerging financial risks and monitor the safety and soundness of HC operations.[2] Edge and agreement corporations (collectively, "Edges" or "Edge corporations") file quarterly or annually the mandatory FR 2886b report, which the Board uses to supervise Edge corporations and to monitor Edge activities.

The Board proposes to revise the instructions to the FR Y-9C and FR 2886b to clarify the treatment of savings deposits versus transaction accounts in light of a recent interim final rule that revised the definition of "savings deposit" in the Board's Regulation D.[3] In addition, the

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[1] Revisions associated with the last-of-layer hedging accounting change would be implemented following the Financial Accounting Standards Board (FASB) adoption of a final last-of-layer hedge accounting standard. Revisions associated with the Board's Regulation D would become effective for reports with a December 31, 2020, as-of date.

[2] An SLHC must file one or more of the FR Y-9 family of reports unless it is: (1) a grandfathered unitary SLHC with primarily commercial assets and thrifts that make up less than 5 percent of its consolidated assets; or (2) a SLHC that primarily holds insurance-related assets and does not otherwise submit financial reports with the SEC pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934.

[3] See 85 FR 23445 (April 28, 2020). In connection with this interim final rule, the Board temporarily revised the instructions to the FR Y-9C and the FR 2886b. 85 FR 25436 (May 1, 2020).

Board proposes to revise the FR Y-9C forms and instructions to be consistent with adopted or proposed changes to U.S. generally accepted accounting principles (GAAP) related to 1) provisions for credit losses on off-balance-sheet credit exposures, 2) expected recoveries of amounts previously charged off included within the allowances for credit losses, 3) nonaccrual treatment of purchased credit-deteriorated assets, and 4) last-of-layer hedging. The Board also proposes to revise the FR Y-9LP and FR Y-9SP report forms to be consistent with these GAAP changes related to provisions for credit losses on off-balance-sheet credit exposures.

The proposed revisions to the FR Y-9C, FR Y-9LP, FR Y-9SP, and FR 2886b are consistent with recently approved revisions to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036).[4] There are no proposed revisions at this time for the FR Y-9ES and FR Y-9CS.

The current estimated total annual burden for the FR Y-9 reports is 119,310 hours and would increase to 119,555 hours. The proposed revisions would result in an increase of 245 hours to the estimated burden hours. The current estimated total annual burden for the FR 2886b is 1,652 hours and would remain unchanged with the proposed revisions.

The draft forms and instructions for the FR Y-9C, FR Y-9LP, FR Y-9SP, and FR 2886b are available on the Board's public website at https://www.federalreserve.gov/apps/reportforms/review.aspx.

Background and Justification

The FR Y-9 reports are the Board's primary source of financial data on HCs. Federal Reserve System examiners rely on the FR Y-9 reports to supervise HCs between on-site inspections. The Board requires HCs to provide standardized financial statements to fulfill the Board's statutory obligation to supervise these organizations. The Board uses the collected data to detect emerging financial problems, to review performance and conduct pre-inspection analysis, to monitor and evaluate capital adequacy, to evaluate mergers and acquisitions, and to analyze a HC's overall financial condition to monitor the safety and soundness of its operations. The information collected by the FR Y-9 reports is not available from other sources.

The FR 2886b collects financial data from Edge corporations, which are supervised by the Board. The Federal Reserve uses the FR 2886b data to help plan and target the scope of examinations of Edges and to evaluate applications from Edge corporations. Data from the FR 2886b are also used to monitor aggregate institutional trends, such as growth in assets and the number of offices, changes in leverage, and the types and locations of customers and to monitor and identify present and potential problems with Edge corporations. Additionally, certain Edges engage in deposit taking in the United States, and therefore conduct activities that affect the nation's money supply. The Board uses the FR 2886b data, in conjunction with data from the Call Reports, to construct monetary aggregates and aggregate statistics on bank credit, nondeposit funds, and assets and liabilities of commercial banks. The Board also uses data from the FR 2886b in the construction of the flow of funds accounts and in the compilation of

[4] See 85 FR 44361 (July 22, 2020).

structure data on foreign bank activity. The information collected by the FR 2886b is not available from other sources.

Description of Information Collections

The FR Y-9C consists of standardized financial statements similar to the Call Reports filed by commercial banks. The FR Y-9C collects consolidated data from HCs and is filed quarterly by top-tier HCs with total consolidated assets of $3 billion or more.[5]

The FR Y-9LP, which collects parent company only financial data, must be submitted by each HC that files the FR Y-9C, as well as by each of its subsidiary HCs.[6] The report consists of standardized financial statements.

The FR Y-9SP is a parent company only financial statement filed semiannually by HCs with total consolidated assets of less than $3 billion. In a banking organization with total consolidated assets of less than $3 billion that has tiered HCs, each HC in the organization must submit, or have the top-tier HC submit on its behalf, a separate FR Y-9SP. This report collects basic balance sheet and income data for the parent company, as well as data on its intangible assets and intercompany transactions.

The FR Y-9ES is filed annually by each employee stock ownership plan (ESOP) that is also an HC. The report collects financial data on the ESOP's benefit plan activities. The FR Y-9ES consists of four schedules: a Statement of Changes in Net Assets Available for Benefits, a Statement of Net Assets Available for Benefits, Memoranda, and Notes to the Financial Statements.

The instructions to each of the FR Y-9C, FR Y-9LP, FR Y-9SP, and FR Y-9ES state that respondent HCs should retain workpapers and other records used in the preparation of the reports.

The FR Y-9CS is a voluntary, free-form supplemental report that the Board may utilize to collect critical additional data from HCs deemed to be needed in an expedited manner. The FR Y-9CS data collections are used to assess and monitor emerging issues related to HCs, and the report is intended to supplement the other FR Y-9 reports. The data requested by the FR Y-9CS would depend on the Board's data needs in a given situation. For example, changes made by the Financial Accounting Standards Board may introduce into U.S. generally accepted accounting principles new data items that are not currently collected by the other FR Y-9 reports. The Board could use the FR Y-9CS report to collect these data until the items are implemented into the other FR Y-9 reports.[7]

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[5] Under certain circumstances described in the FR Y-9C's General Instructions, HCs with assets under $3 billion may be required to file the FR Y-9C.

[6] A top-tier HC may submit a separate FR Y-9LP on behalf of each of its lower-tier HCs.

[7] The FR Y-9CS was most recently used by the Board on June 30, 2008. In that collection, data were requested from banking organizations implementing an Advanced Measurement Approach to calculate operational risk capital under the Basel II Risk-Based Capital Framework. The report was used to conduct a voluntary Loss Data Collection Exercise relating to operational risk.

The FR 2886b comprises a balance sheet, income statement, two schedules reconciling changes in capital and reserve accounts, and 11 supporting schedules. An Edge that is engaged in banking[8] must file all supporting schedules; other Edges must file only four of the 11 supporting schedules. The four supporting schedules that investment Edge corporations must file are: Trading Assets and Liabilities; Derivatives and Off-Balance-Sheet Items; Claims on and Liabilities to Related Organizations; and Past Due and Nonaccrual Loans, Leases, and Other Assets.

Respondent Panel

The FR Y-9 reporting panel comprises HCs. Specifically, the FR Y-9C panel consists of top-tier HCs with total consolidated assets of $3 billion or more; the FR Y-9LP panel consists of each HC that files the FR Y-9C, as well as each of its subsidiary HCs; the FR Y-9SP panel consists of HCs with total consolidated assets of less than $3 billion; the FR Y-9ES panel consists of each ESOP that is also an HC; and the FR Y-9CS panel consists of any HC the Board selects.

The FR 2886b panel comprises all Edge and agreement corporations.

Proposed Revisions

Proposed Revisions Related to Regulation D

In response to recent economic disruptions and volatility in U.S. financial markets caused by the spread of Coronavirus Disease 2019 (COVID-19), the Board adopted the Regulation D interim final rule. The interim final rule amended the "savings deposit" definition in Regulation D by deleting the six-transfer-limit provisions in this definition that required depository institutions either to prevent transfers and withdrawals in excess of the limit or to monitor savings deposits ex post for violations of the limit. The interim final rule also made conforming changes to other definitions in Regulation D that refer to "savings deposit" as necessary.

The interim final rule permits, but does not require, depository institutions to immediately suspend enforcement of the six-transfer limit and to allow their customers to make an unlimited number of convenient transfers and withdrawals from their savings deposits. The interim final rule did not amend the Regulation D provisions regarding the reporting of deposits by depository institutions.

In connection with the interim final rule, the Board published supplemental instructions to the FR Y-9C, which included temporary revisions to the General Instructions for FR Y-9C Schedule HC-E, as well as the Glossary entries for "Deposits," to remove references to the six-transfer limit. In addition, the supplemental instructions included temporary revisions to the General Instructions for FR Y-9C Schedule HC-E to state that if a depository institution chooses to suspend enforcement of the six-transfer limit on a "savings deposit," the depository institution may continue to report that account as a "savings deposit" or may instead choose to report that account as a "transaction account" based on an assessment of certain characteristics of the

[8] See 12 CFR 211.2(f).

account. Similar temporary revisions were applied to the General Instructions of FR 2886b Schedule RC-E to remove references of the six-transfer limit and to state that if a depository institution chooses to suspend enforcement of the six-transfer limit on a "savings deposit," the depository institution may continue to report that account as a "savings deposit" or may instead choose to report that account as a "transaction account" based on an assessment of certain characteristics of the account. The temporarily revised instructions are published on the FR 2886b report form and instructions website.

However, the Board recognizes that the adopted temporary revisions to the instructions for the FR Y-9C and FR 2886b created a reporting option that could result in the collection of ambiguous data by allowing a depository institution to report a savings deposit as either a "savings deposit" or a "transaction account" if the institution suspends enforcement of the six-transfer limit. To resolve this potential issue, the Board proposes to revise the General Instructions for FR Y-9C Schedule HC-E and FR 2886b Schedule RC-E, effective beginning with reports as of December 31, 2020, to state that where the reporting institution has suspended the enforcement of the six-transfer limit rule on an account that otherwise meets the definition of a savings deposit, the institution must report such deposits as a "savings deposit" (and as a "nontransaction account") or a "transaction account" based on an assessment of the following characteristics:

1) If the reporting institution does not retain the reservation of right to require at least seven days' written notice before an intended withdrawal, the account must be reported as a demand deposit (and as a "transaction account").

2) If the reporting institution retains the reservation of right to require at least seven days' written notice before an intended withdrawal and the depositor is eligible to hold a Negotiable Order of Withdrawal (NOW) account, the account must be reported as an Automatic Transfer Service (ATS) account, NOW account, or a telephone and preauthorized transfer account (and as a "transaction account").

3) If the reporting institution retains the reservation of right to require at least seven days' written notice before an intended withdrawal and the depositor is ineligible to hold a NOW account, the account must be reported as a savings deposit (and as a "nontransaction account").

The proposed revisions to the FR Y-9C and FR 2886b would be consistent with corresponding proposed revisions, related to the Regulation D amendments, to the Call Reports and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB Control Number: 7100-0032).

The proposed FR Y-9C and FR 2886b revisions related to Regulation D would be effective as of the December 31, 2020, report date. The Board may consider further modifying the treatment of "savings deposits" and "transaction accounts" in the instructions for the FR Y-

9C and FR 2886b after a review of the reported data. Any such changes would be proposed by the Board through a separate *Federal Register* notice pursuant to the Paperwork Reduction Act.

Proposed Revisions Related to U.S. GAAP

The Board proposes to make a number of revisions to the FR Y-9C, FR Y-9LP and FR Y-9SP related to U.S. GAAP effective for reports with a March 31, 2021, as-of date, except for last-of-layer hedging, which would be implemented following the Financial Accounting Standards Board (FASB)'s adoption of a final standard.

1. Provisions for Credit Losses on Off-Balance-Sheet Credit Exposures

On June 16, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Topic 326, *Financial Instruments – Credit Losses* (ASU 2016-13). Within Topic 326, paragraph 326-20-30-11 states: "An entity shall report in net income (as a credit loss expense) the amount necessary to adjust the liability for credit losses for management's current estimate of expected credit losses on off-balance-sheet credit exposures." Off-balance-sheet credit exposures include unfunded loan commitments, financial standby letters of credit, and financial guarantees not accounted for as insurance, and other similar instruments except for those within the scope of Accounting Standards Codification (ASC) Topic 815 on derivatives and hedging.

Throughout Topic 326, the FASB refers to provisions for credit losses as "credit loss expense." For example, paragraph 326-20-30-1 states: "An entity shall report in net income (as a credit loss expense) the amount necessary to adjust the allowance for credit losses (ACL) for management's current estimate of expected credit losses on financial assets(s)." Thus, Topic 326 does not prohibit recording the adjustment to the liability for expected credit losses on off-balance-sheet credit exposures within the provisions for credit losses reported in the income statement.

The FR Y-9C income statement instructions currently direct HCs that have adopted Topic 326 to report provisions for expected credit losses on off-balance-sheet credit exposures in Schedule HI, item 7.d, "Other noninterest expense," and prohibit its inclusion in Schedule HI, item 4, "Provision for loan and lease losses."[9] Therefore, to align regulatory reporting to the guidance within Topic 326, the Board proposes to change the FR Y-9C instructions to direct HCs that have adopted Topic 326 to report provisions for expected credit losses on off-balance-sheet credit exposures as part of the total amount of HCs' provisions for credit losses in Schedule HI, item 4.[10] These instructional changes would apply only to HCs that have adopted Topic 326.

The inclusion of provisions for expected credit losses on off-balance-sheet credit exposures in the provisions for credit losses presented in item 4 of the FR Y-9C income statement will cause a loss of transparency within the overall reported amount of provisions for credit losses between provisions attributable to on- and off-balance-sheet credit exposures. To

[9] A footnote to Schedule HI, item 4, on the FR Y-9C forms currently states, "Institutions that have adopted ASU 2016-13 should report in item 4 the provisions for credit losses on all financial assets that fall within the scope of the standard."

[10] The existing footnote to Schedule HI, item 4, also would be revised in the same manner.

enhance transparency and differentiate these provisions, the Board proposes adding a new Memorandum item 7, "Provisions for credit losses on off-balance-sheet credit exposures," to Schedule HI-B, Part II, Changes in Allowances for Credit Losses*,* which would identify the portion of the overall amount of the provisions for credit losses reported in Schedule HI, item 4, attributable to the provisions for expected credit losses on off-balance-sheet credit exposures. Adding the new memorandum item to Schedule HI-B, Part II, would enable the Board to monitor the underlying components of the total amount of a HC's provisions for credit losses (i.e., the separate provisions for expected credit losses attributable to loans and leases held for investment, held-to-maturity debt securities, available-for-sale (AFS) debt securities, other financial assets measured at amortized cost, and off-balance-sheet credit exposures) and how these components change over time in relation to the amounts of the various categories of financial assets and off-balance-sheet credit exposures within the scope of ASC Topic 326.

In addition, footnote 5 on Schedule HI-B, Part II, item 5, "Provisions for credit losses," would be updated to reflect that "For institutions that have adopted ASU 2016-13, the sum of item 5, Column A through Column C, plus Schedule HI-B, Part II, Memorandum items 5 and 7 below, must equal Schedule HI, item 4."

Lastly, footnote 2 on Schedule SI of the FR Y-9SP report form for item 7, "Other expenses" and footnote 1 on Schedule PI of the FR Y-9LP, report form for item 2.c., "Provision for loan and lease losses" would be updated to direct HCs that have adopted ASU 2016-13 to report provisions for expected credit losses on off-balance-sheet credit exposures as part of their total amount of provisions for credit losses.

2. Expected Recoveries of Amounts Previously Charged Off Included within the Allowances for Credit Losses

As noted above, the FASB issued ASU 2016-13 on June 16, 2016, and it has been amended by subsequent FASB ASUs. Within Topic 326, paragraph 326-20-30-1 states, "The ACL is a valuation account that is deducted from, or added to, the amortized cost basis of the financial asset(s) to present the net amount expected to be collected on the financial asset. Expected recoveries of amounts previously written off and expected to be written off shall be included in the valuation account and shall not exceed the aggregate of amounts previously written off and expected to be written off by an entity." The terms "written off" as used in Topic 326 and "charged off" as used in FR Y-9C instructions are used interchangeably in this discussion.

Under GAAP, before an institution's adoption of Topic 326, expected recoveries of amounts previously written off would not be included in the measurement of the allowance for loan and lease losses; recoveries would be recorded only when received. Under Topic 326, including expected recoveries of amounts previously written off within allowances for credit losses reduces the overall amount of these allowances. Amounts related to an individual asset are written off or charged off when deemed uncollectible. However, under ASC Topic 326, institutions can, in some circumstances, reduce the amount of the ACL that would otherwise be calculated for a pool of assets with similar risk characteristics that includes charged-off assets on the same day the charge-offs were taken by the estimated amount of expected recoveries of amounts written off on these assets. Reducing the ACL by amounts of expected recoveries prior to collection effectively "reverses" a charge-off. Therefore, to provide transparency for expected recoveries of amounts with inherently higher risk that, before an HC's adoption of ASC Topic 326, were not allowed to be recorded until they were received, the Board proposes to add new Memorandum item 8 to Schedule HI-B, Part II, Changes in Allowances for Credit Losses, to capture the "Estimated amount of expected recoveries of amounts previously written off included within the ACL on loans and leases held for investment (included in item 7, column A, 'Balance end of current period,' above)." This new item would be applicable to HCs only after they have adopted Topic 326.

Not including the proposed memorandum item for expected recoveries of amounts previously written off within the ACL on loans and leases would cause a loss of transparency within the reported amount of this allowance between the portions of the allowance attributable to (1) expected credit losses on the amortized cost basis of loans and leases held for investment net of expected recoveries of amounts expected to be charged off in the future and (2) expected recoveries of loan and lease amounts previously charged off. Proposed new Memorandum item 8 would enhance transparency and differentiate these amounts within the period-end balance of the ACL on loans and leases by separately identifying the estimated amount within this allowance attributable to expected recoveries of amounts previously written off. This proposed new memorandum item would enable Board data users, including its examiners, and the public to better understand key components underlying HCs' ACL on loans and leases (i.e., amounts for expected credit losses on the amortized cost basis of loans and leases held for investment and amounts for expected recoveries of amounts previously written off on such loans and leases) and how these components change over time. This information would assist Board data users in monitoring amounts with inherently higher credit risk and changes therein that contribute to reductions in the overall amount of the ACL on loans and leases. This proposed new memorandum item would apply to loans and leases held for investment because this is the FR Y-9C category of financial assets that is expected to have the greatest amount of estimated expected recoveries of amounts previously written off.

3. Nonaccrual Treatment of Purchased Credit-Deteriorated Assets

ASU 2016-13 introduced the concept of purchased credit-deteriorated (PCD) assets. PCD assets are acquired financial assets that, at acquisition, have experienced more-than-insignificant deterioration in credit quality since origination. When recording the acquisition of PCD assets, the amount of expected credit losses as of the acquisition date is recorded as an allowance and added to the purchase price of the assets rather than recording these acquisition date expected credit losses through provisions for credit losses. The sum of the purchase price and the initial ACL establishes the amortized cost basis of the PCD assets at acquisition. Any difference between the unpaid principal balance of the PCD assets and the amortized cost basis of the assets as of the acquisition date is a noncredit discount or premium. The initial ACL and any noncredit discount or premium determined on a collective basis at the acquisition date are allocated to the individual PCD assets.

After acquisition, any noncredit discount or premium is accreted or amortized into interest income, as appropriate, over the remaining lives of the PCD assets on a level-yield basis. However, if a PCD asset is placed in nonaccrual status, institutions must cease accreting the noncredit discount or amortizing the noncredit premium into interest income consistent with the guidance in ASC paragraph 310-20-35-17.

The current instructions for FR Y-9C Schedule HC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, provide an exception to the general rule for placing financial assets in nonaccrual status set forth in the FR Y-9C Glossary entry for "Nonaccrual status" for purchased credit-impaired (PCI) assets. Topic 326 replaces the concept of PCI assets in previous GAAP with the concept of PCD assets.[11] Although there is some similarity between the concepts of PCI and PCD assets, these two concepts are not identical. Nevertheless, ASU 2016-13 provides that, upon adoption of Topic 326, all PCI assets will be deemed to be, and accounted for prospectively as, PCD assets. However, the Schedule HC-N instructions indicate that the nonaccrual exception for PCI assets was not extended to PCD assets by stating that "For purchased credit-deteriorated loans, debt securities, and other financial assets that fall within the scope of ASU 2016-13, nonaccrual status should be determined and subsequent nonaccrual treatment, if appropriate, should be applied in the same manner as for other financial assets held by an institution."

As described in the FR Y-9C Supplemental Instructions for March 2020, if an HC has adopted ASU 2016-13 and has a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI assets, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for "Nonaccrual status"), the HC may elect to continue accruing interest income and not report the PCD asset as being in nonaccrual status if the following criteria are met:

(1) the HC reasonably estimates the timing and amounts of cash flows expected to be collected, and
(2) the HC did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

Additionally, these FR Y-9C Supplemental Instructions state that when a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the HC's net income is not materially overstated. Further, an HC is not permitted to accrete the credit-related discount embedded in the purchase price of a PCD asset that is attributable to the acquirer's assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). Interest income should no longer be recognized on a PCD asset to the extent that the net investment in the asset would increase to an amount greater than the payoff amount. If an HC is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis in FR Y-9C Schedule HC-N, column C.[12] For PCD assets for which the HC has made a policy election to maintain a previously existing pool of PCI assets as a unit of account for accounting purposes upon adoption of ASU 2016-13, the

[11] According to ASC paragraph 310-30-15-2, PCI assets, in general, are loans and debt securities with evidence of deterioration of credit quality since origination acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable.

[12] Similarly, in the FFIEC 002, any PCD loans in nonaccrual status would be reported in Schedule N, column C.

determination of nonaccrual or accrual status should be made at the pool level, not at the individual asset level.

For a PCD asset that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset as past due in Schedule HC-N, column A or B, as appropriate. If the PCD asset that is not reported in nonaccrual status consists of a pool of loans that were previously PCI assets that is being maintained as a unit of account after the adoption of ASU 2016-13, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms.

The Board is proposing to update the FR Y-9C instructions to revise the nonaccrual treatment for PCD assets to provide HCs the option to not report PCD assets in nonaccrual status if they meet the criteria described above. The instructions also would incorporate the other reporting guidance for PCD assets in the FR Y-9C Supplemental Instructions for March 2020 described above.

4. Last-of-Layer Hedging

In ASU No. 2017-12, Derivatives and Hedging (Topic 815)–Targeted Improvements to Accounting for Hedging Activities, the FASB added the last-of-layer method to its hedge accounting standards to lessen the difficulties institutions encountered under existing accounting rules when seeking to enter into a fair value hedge of the interest rate risk of a closed portfolio of prepayable financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments. Typically, prepayable financial assets would be loans and available-for-sale debt securities.[13] Under ASU 2017-12, there are no limitations on the types of qualifying assets that could be grouped together in a last-of-layer hedge other than meeting the following two criteria: (1) they must be prepayable financial assets that have a contractual maturity date beyond the period being hedged and (2) they must be eligible for fair value hedge accounting of interest rate risk (for example, fixed-rate instruments). For example, fixed-rate residential mortgages, auto loans, and collateralized mortgage obligations could all be grouped and hedged together in a single last-of-layer closed portfolio. For a last-of-layer hedge, ASC paragraph 815-10-50-5B states that an institution may need to allocate the related fair value hedge basis adjustment (FVHBA) "to meet the objectives of disclosure requirements in other Topics." This ASC paragraph then explains that the institution "may allocate the basis adjustment on an individual asset basis or on a portfolio basis using a systematic and rational method." Due to the aggregation of assets in a last-of-layer closed portfolio, institutions may find it challenging to allocate the related FVHBA to the individual loan or AFS debt security level when necessary for financial reporting purposes.

In March 2018, the FASB added a project to its agenda to expand last-of-layer hedging to multiple layers, thereby providing more flexibility to entities when applying hedge accounting to a closed portfolio of prepayable assets. In connection with this project, the FASB anticipated that there would be diversity in practice if entities were required to allocate portfolio-level, last-of-layer FVHBAs to more granular levels, which in turn could potentially hamper data quality and

[13] Prepayable held-to-maturity debt securities do not qualify for last-of-layer hedging.

comparability. In addition, the allocation would increase operational burden on institutions with little, if any, added value to risk management or to users of the financial statements. Therefore, for financial reporting purposes, the FASB Board has tentatively decided that it would require these FVHBAs to be presented as a reconciling item, i.e., in the aggregate for loans and AFS debt securities, in disclosures required by other areas of GAAP.[14]

For regulatory reporting purposes, the Board is proposing similar treatment for last-of-layer FVHBAs on FR Y-9C Schedule HC-C, Loans and Lease Financing Receivables, and Schedule HC-B, Securities. As such, following the FASB's adoption of a final last-of-layer hedge accounting standard, the instructions for Schedule HC-C, item 11, "LESS: Any unearned income on loans reflected in items 1-9 above," would be revised to explicitly state that last-of-layer FVHBAs associated with the loans reported in Schedule HC-C, should be included in this item.

In addition, the Board is proposing on Schedule HC-B, Securities, to rename existing item 7, "Investments in mutual funds and other equity securities with readily determinable fair values," as "Unallocated last-of-layer fair value hedge basis adjustments." HCs would report amounts for last-of-layer FVHBAs on AFS debt securities only in item 7, column C, "Available-for-sale: Amortized Cost." Only a small number of HCs that have not have yet adopted ASU 2016-01, which includes provisions governing the accounting for investments in equity securities, continue to report amounts in item 7. Because all institutions are required to adopt ASU 2016-01 for FR Y-9C purposes by the December 31, 2020, report date, the Board had previously determined that existing item 7 in Schedule HC-B would no longer be applicable to institutions for reporting purposes and could be removed as of that report date.[15] For these reasons, the Board is proposing to redesignate existing item 7, column C, on Schedule HC-B, as a new item for reporting unallocated FVHBAs applicable to AFS debt securities following the FASB's adoption of a final last-of-layer hedge accounting standard.

Time Schedule for Information Collection

The FR Y-9C and FR Y-9LP are filed quarterly as of the last calendar day of March, June, September, and December. The filing deadline for the FR Y-9C is 40 calendar days after the March 31, June 30, and September 30 as-of dates and 45 calendar days after the December 31 as-of date. The filing deadline for the FR Y-9LP is 45 calendar days after the quarter-end as-of date. The FR Y-9SP is filed semiannually as of the last calendar day of June and December, and the filing deadline is 45 calendar days after the as-of date. The annual FR Y-9ES is collected as of December 31, and the filing deadline is July 31 of the following year, unless an extension to file by October 15 is granted. Respondents will be notified of the filing deadline for the FR Y-9CS if it is utilized by the Board.

Edge and agreement corporations with assets of more than $50 million file the FR 2886b quarterly as of the last calendar day of March, June, September and December. Edges with assets

[14] The tentative decision was made at the FASB Board meeting on October 16, 2019. The FASB Board meeting minutes are available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage&cid=1176173617941. Currently, no exposure draft or ASU associated with this project has been issued.

[15] See 83 FR 945-946 (January 8, 2018).

of $50 million or less file annually as of December 31st. Edges should file the FR 2886b within 30 calendar days of the as-of date. If necessary, a respondent is permitted to take an additional 15 calendar days to submit its completed report without requesting an extension. Respondents are urged to use the additional time only if absolutely necessary.

Public Availability of Data

Data from the FR Y-9 reports that are not granted confidential treatment are publicly available on the FFIEC website: https://www.ffiec.gov/NPW.

Aggregate data from the FR 2886b report are included in three Board statistical releases: the weekly H.6 release, "Money Stock Measures;" the weekly H.8 release, "Assets and Liabilities of Commercial Banks in the United States;" and the quarterly Z.1 release, "Financial Accounts of the United States." These statistical releases are available on the Board's public website: www.federalreserve.gov/data.htm.

Legal Status

The reporting and recordkeeping requirements associated with the Y-9 series of reports are authorized for BHCs pursuant to section 5 of the Bank Holding Company Act ("BHC Act");[16] for SLHCs pursuant to section 10(b)(2) and (3) of the Home Owners' Loan Act, 12 U.S.C. § 1467a(b)(2) and (3), as amended by sections 369(8) and 604(h)(2) of the Dodd-Frank Wall Street and Consumer Protection Act ("Dodd-Frank Act"); for IHCs pursuant to section 5 of the BHC Act, as well as pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Act;[17] and for securities holding companies pursuant to section 618 of the Dodd-Frank Act.[18] Except for the FR Y-9CS report, which is expected to be collected on a voluntary basis, the obligation to submit the remaining reports in the FR Y-9 series of reports and to comply with the recordkeeping requirements set forth in the respective instructions to each of the other reports, is mandatory.

The FR 2886b is authorized pursuant to sections 25 and 25A of the Federal Reserve Act and is mandatory.[19]

With respect to the FR Y-9C report, Schedule HI's Memoranda item 7(g) "FDIC deposit insurance assessments," Schedule HC-P's item 7(a) "Representation and warranty reserves for 1-4 family residential mortgage loans sold to U.S. government agencies and government sponsored

[16] 12 U.S.C. § 1844.

[17] 12 U.S.C. §§ 5311(a)(1) and 5365; Section 165(b)(2) of Title I of the Dodd-Frank Act, 12 U.S.C. § 5365(b)(2), refers to "foreign-based bank holding company." Section 102(a)(1) of the Dodd-Frank Act, 12 U.S.C. § 5311(a)(1), defines "bank holding company" for purposes of Title I of the Dodd-Frank Act to include foreign banking organizations that are treated as bank holding companies under section 8(a) of the International Banking Act, 12 U.S.C. § 3106(a). The Board has required, pursuant to section 165(b)(1)(B)(iv) of the Dodd-Frank Act, 12 U.S.C. § 5365(b)(1)(B)(iv), certain foreign banking organizations subject to section 165 of the Dodd-Frank Act to form U.S. intermediate holding companies. Accordingly, the parent foreign-based organization of a U.S. IHC is treated as a BHC for purposes of the BHC Act and section 165 of the Dodd-Frank Act. Because Section 5(c) of the BHC Act authorizes the Board to require reports from subsidiaries of BHCs, section 5(c) provides additional authority to require U.S. IHCs to report the information contained in the FR Y-9 series of reports.

[18] 12 U.S.C. § 1850a(c)(1)(A).

[19] 12 U.S.C. §§ 602 and 625.

agencies," and Schedule HC-P's item 7(b) "Representation and warranty reserves for 1-4 family residential mortgage loans sold to other parties" are considered confidential commercial and financial information. Such treatment is appropriate under exemption 4 of the Freedom of Information Act ("FOIA"),[20] because these data items reflect commercial and financial information that is both customarily and actually treated as private by the submitter, and which the Board has previously assured submitters will be treated as confidential. It also appears that disclosing these data items may reveal confidential examination and supervisory information, and in such instances, the information also would be withheld pursuant to exemption 8 of the FOIA,[21] which protects information related to the supervision or examination of a regulated financial institution.

In addition, for both the FR Y-9C report and the FR Y-9SP report, Schedule HC's Memoranda item 2.b., the name and email address of the external auditing firm's engagement partner, is considered confidential commercial information and protected by exemption 4 of the FOIA,[22] if the identity of the engagement partner is treated as private information by HCs. The Board has assured respondents that this information will be treated as confidential since the collection of this data item was proposed in 2004.

Additionally, items on the FR Y-9C, Schedule HC-C for loans modified under Section 4013, data items Memorandum items 16.a, "Number of Section 4013 loans outstanding"; and Memorandum items 16.b, "Outstanding balance of Section 4013 loans" are considered confidential. While the Board generally makes institution-level FR Y-9C report data publicly available, the Board is collecting Section 4013 loan information as part of condition reports for the impacted HCs and the Board considers disclosure of these items at the HC level would not be in the public interest.[23] Such information is permitted to be collected on a confidential basis, consistent with 5 U.S.C. § 552(b)(8).[24] In addition, holding companies may be reluctant to offer modifications under Section 4013 if information on these modifications made by each holding company is publicly available, as analysts, investors, and other users of public FR Y-9C report information may penalize an institution for using the relief provided by the CARES Act. The Board may disclose Section 4013 loan data on an aggregated basis, consistent with confidentiality or as otherwise required by law.

Aside from the data items described above, the remaining data items collected on the FR Y-9C report and the FR Y-9SP report are generally not accorded confidential treatment. The data items collected on FR Y-9LP, FR Y-9ES, and FR Y-9CS[25] reports, are also generally not

[20] 5 U.S.C. § 552(b)(4).

[21] 5 U.S.C. § 552(b)(8).

[22] 5 U.S.C. § 552(b)(4).

[23] See 12 U.S.C. 1464(v)(2).

[24] Exemption 8 of the Freedom of Information Act (FOIA) specifically exempts from disclosure information "contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions."

[25] The FR Y-9CS is a supplemental report that may be utilized by the Board to collect additional information that is needed in an expedited manner from HCs. The information collected on this supplemental report is subject to change as needed. Generally, the FR Y-9CS report is treated as public. However, where appropriate, data items on the FR Y-9CS report may be withheld under exemptions 4 or 8 of the FOIA, 5 U.S.C. § 552(b)(4) and (8).

accorded confidential treatment. As provided in the Board's Rules Regarding Availability of Information,[26] however, a respondent may request confidential treatment for any data items the respondent believes should be withheld pursuant to a FOIA exemption. The Board will review any such request to determine if confidential treatment is appropriate, and will inform the respondent if the request for confidential treatment has been granted or denied.

To the extent the instructions to the FR Y-9C, FR Y-9LP, FR Y-9SP, and FR Y-9ES reports each respectively direct the financial institution to retain the workpapers and related materials used in preparation of each report, such material would only be obtained by the Board as part of the examination or supervision of the financial institution. Accordingly, such information is considered confidential pursuant to exemption 8 of the FOIA.[27] In addition, the workpapers and related materials may also be protected by exemption 4 of the FOIA, to the extent such financial information is treated as confidential by the respondent.[28]

For Edge and Agreement corporations engaged in banking, current Schedules RC-M (with the exception of item 3) and RC-V are held confidential pursuant to exemption 4 of FOIA.[29] For Edge and Agreement corporations not engaged in banking, only information collected on Schedule RC-M (with the exception of item 3) are given confidential treatment pursuant to exemption 4 of FOIA.[30]

Consultation Outside the Agency

The Board coordinated and consulted with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency in regard to the revisions to the FR Y-9 reports. There has been no consultation outside the Federal Reserve System concerning the FR 2886b.

Public Comments

On October 8, 2020, the Board published an initial notice in the Federal Register (85 FR 63553) requesting public comment for 60 days on the extension, with revision, of the FR Y-9C and FR 2886b reports. The comment period for this notice expires on December 7, 2020.

Estimate of Respondent Burden

As shown in the table below, the current estimated total annual burden for the FR Y-9C is 119,310 hours and would increase by 245 hours with the proposed revisions. These reporting requirements represent 1.3 percent of the total Federal Reserve System paperwork burden.

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[26] 12 CFR part 261.

[27] 5 U.S.C. § 552(b)(8).

[28] 5 U.S.C. § 552(b)(4).

[29] 5 U.S.C. § 552(b)(4).

[30] 5 U.S.C. § 552(b)(4).

FR Y-9	*Estimated Number of respondents*[31,32]	*Annual Frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current				
FR Y-9C (non AA HCs) with less than $5 billion in total assets	124	4	40.48	20,078
FR Y-9C (non AA HCs) with $5 billion or more in total assets	218	4	46.45	40,504
FR Y-9C (AA HCs)	9	4	48.59	1,749
FR Y-9LP	416	4	5.27	8,769
FR Y-9SP	3,739	2	5.40	40,381
FR Y-9ES	78	1	0.50	39
FR Y-9CS	236	4	0.50	472
Recordkeeping				
FR Y-9C	351	4	1.00	1,404
FR Y-9LP	416	4	1.00	1,664
FR Y-9SP	3,739	2	0.50	3,739
FR Y-9ES	78	1	0.50	39
FR Y-9CS	236	4	0.50	472
Current Total				119,310
Proposed				
FR Y-9C (non AA HCs) with less than $5 billion in total assets	124	4	40.65	20,162
FR Y-9C (non AA HCs) with $5 billion or more in total assets	218	4	46.62	40,653
FR Y-9C (AA HCs)	9	4	48.93	1,761
FR Y-9LP	416	4	5.27	8,769
FR Y-9SP	3,739	2	5.40	40,381
FR Y-9ES	78	1	0.50	39
FR Y-9CS	236	4	0.50	472
Recordkeeping				
FR Y-9C	351	4	1.00	1,404
FR Y-9LP	416	4	1.00	1,664
FR Y-9SP	3,739	2	0.50	3,739
FR Y-9ES	78	1	0.50	39
FR Y-9CS	236	4	0.50	472
Proposed Total				119,555
Net Change				+245

[31] Of these respondents, 4 FR Y-9C filers; 31 FR Y-9LP filers; 2869 FR Y-9SP filers; and 58 FR Y-9ES filers are considered small entities as defined by the Small Business Administration (i.e., entities with less than $600 million in total assets), https://www.sba.gov/document/support--table-size-standards.

[32] The respondent count for the FR Y-9C, FR Y-9LP, and FR Y-9SP are as of June 30, 2020. The respondent count for the FR Y-9ES is as of December 31, 2019.

The estimated total annual cost to the public for the FR Y-9 reports is $6,890,153 and would increase to $6,904,301 with the proposed revisions.[33]

[33] Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at $20, 45% Financial Managers at $71, 15% Lawyers at $70, and 10% Chief Executives at $93). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages May 2019, published March 31, 2020, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

As shown in the table below, the estimated total annual burden for the FR 2886b is 1,652 hours and would be unchanged with the proposed revisions. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR 2886b	*Estimated number of respondents*[34]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Banking				
Edge and agreement corporations (Quarterly)	9	4	15.77	568
Edge and agreement corporations (Annual)	1	1	15.87	16
Total Banking				584
Investment				
Edge and agreement corporations (Quarterly)	21	4	11.81	992
Edge and agreement corporations (Annual)	7	1	10.82	76
Total Investment				1,068
Total				1,652

The estimated total annual cost to the public for the FR 2886b is $95,403 and would not change with the proposed revisions.[35]

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing these information collections is $2,050,800 for the FR Y-9 reports and $204,300 for the FR 2886b reports.

[34] Of the FR 2886b respondents, 19 are considered small entities as defined by the Small Business Administration (i.e., entities with less than $600 million in total assets), https://www.sba.gov/document/support--table-size-standards.

[35] Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at $20, 45% Financial Managers at $71, 15% Lawyers at $70, and 10% Chief Executives at $93). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages May 2019, published March 31, 2020 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.