

**Draft Instructions**

**for the FR Y-9C Revisions**

**Proposed to Take Effect September 30, 2016,**

# Schedule HI

## Line Item 5(i) Net gains (losses) on sales of loans and leases.

Report the amount of net gains (losses) on sales and other disposals of loans and leases (reportable in Schedule HC-C), including unrealized losses (and subsequent recoveries of such net unrealized losses) on loans and leases held for sale. Exclude net gains (losses) on loans and leases sold in the holding company's own securitization transactions and unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale in the holding company's own securitization transactions (report these gains (losses) in Schedule HI, item 5(g), "Net securitization income").

## Line Item 5(j) Net gains (losses) on sales of other real estate owned.

Report the amount of net gains (losses) on sales and other disposals of other real estate owned (reportable in Schedule HC, item 7), increases and decreases in the valuation allowance for foreclosed real estate, and write-downs of other real estate owned subsequent to acquisition (or physical possession) charged to expense. Do not include as a loss on other real estate owned any amount charged to the allowance for loan and lease losses at the time of foreclosure (actual or physical possession) for the difference between the carrying value of a loan and the fair value less cost to sell of the foreclosed real estate.

## Line Item 5(k) Net gains (losses) on sales of other assets (excluding securities).

Report the amount of net gains (losses) on sales and other disposals of assets not required to be reported elsewhere in the income statement (Schedule HI). Include net gains (losses) on sales and other disposals of premises and fixed assets; personal property acquired for debts previously contracted (such as automobiles, boats, equipment, and appliances); and coins, art, and other similar assets. Do not include net gains (losses) on sales and other disposals of loans and leases (either directly or through securitization), other real estate owned, securities, and trading assets (report these net gains (losses) in the appropriate items of Schedule HI).

## Line Item 5(l) Other noninterest income.

Report all operating income of the holding company for the calendar year to date not required to be reported elsewhere in Schedule HI. Disclose in Schedule HI, Memoranda items 6(a) through 6(k), each compo-

nent of other noninterest income, and the dollar amount of such component, that is greater than \$25,000 and exceeds 3 percent of the other noninterest income reported in this item. If net losses have been reported in this item for a component of "Other noninterest income," use the absolute value of such net losses to determine whether the amount of the net losses is greater than \$25,000 and exceeds 3 percent of "Other noninterest income" and should be reported in Schedule HI, Memoranda item 6. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) Preprinted captions have been provided in Memoranda items 6(a) through 6(h) for reporting the following components of other noninterest income if the component exceeds this disclosure threshold: income and fees from the printing and sale of checks, earnings on/increase in value of cash surrender value of life insurance, income and fees from automated teller machines (ATMS), rent and other income from other real estate owned, safe deposit box rent, net change in the fair values of financial instruments accounted for under a fair value option, bank card and credit card interchange fees and gains on bargain purchases. For each component of other noninterest income that exceeds this disclosure threshold for which a preprinted caption has not been provided describe the component with a clear but concise caption in Schedule HI, Memoranda items 6(i) through 6(k). These descriptions should not exceed 50 characters in length (including spacing between words).

For disclosure purposes in Schedule HI, Memoranda items 6(a) through 6(h), when components of "Other noninterest income" reflect a single credit for separate "bundled services" provided through third party vendors, disclose such amounts in the item with the preprinted caption that most closely describes the predominant type of income earned, and this categorization should be used consistently over time.

Include as other noninterest income:

- (1) Service charges, commissions, and fees for such services as:
  - (a) The rental of safe deposit boxes.
  - (b) The safekeeping of securities for other depository institutions (if the income for such safekeeping services is not included in Sched-



# Schedule HI

tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

When a reporting unit is to be disposed of in its entirety, goodwill of that reporting unit must be included in the carrying amount of the reporting unit in determining the gain or loss on disposal. When a portion of a reporting unit that constitutes a business is to be disposed of, goodwill associated with that business must be included in the carrying amount of the business in determining the gain or loss on disposal. Otherwise, a holding company may not remove goodwill from its balance sheet, for example, by "selling" or "dividending" this asset to its parent holding company or another affiliate.

## Line Item 7(c)(2) Amortization expense and impairment losses for other intangible assets.

Report the amortization expense of and any impairment losses on "Other intangible assets" (as defined for Schedule HC, item 10(b)). Under ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, *Goodwill and Other Intangible Assets*), intangible assets that have indefinite useful lives should not be amortized but must be tested at least annually for impairment. Intangible assets that have finite useful lives must be amortized over their useful lives and must be reviewed for impairment in accordance with ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, *Accounting for the Impairment of Long-Lived Assets*).

Exclude the amortization expense of and any impairment losses on servicing assets, which should be netted against the servicing income reported in Schedule HI, item 5(f), "Net servicing fees," above.

## Line Item 7(d) Other noninterest expense.

Report all operating expenses of the holding company for the calendar year-to-date not required to be reported elsewhere in Schedule HI. Disclose in Schedule HI, Memoranda items 7(a) through 7(n), each component of other noninterest expense, and the dollar amount of such component, that is greater than \$25,000 and exceeds 3 percent of the other noninterest expense reported in this item. If net gains have been reported in this item for a component of "Other noninterest expense," use the absolute value of such net gains to determine whether the amount of the net gains is greater than \$25,000 and exceeds 3 percent of "Other noninterest expense" and

should be reported in Schedule HI, Memoranda item 7. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) Preprinted captions have been provided in Memoranda items 7(a) through 7(k) for reporting the following components of other noninterest expense if the component exceeds this disclosure threshold: data processing expenses; advertising and marketing expenses; directors' fees; printing, stationery, and supplies; postage; legal fees and expenses; FDIC deposit insurance assessments; accounting and auditing expenses; consulting and advisory expenses; automated teller machine (ATM) and interchange expenses; and telecommunications expenses. For each component of other noninterest expense that exceeds this disclosure threshold for which a preprinted caption has not been provided describe the component with a clear but concise caption in Schedule HI, Memoranda items 7(l) through 7(n). These descriptions should not exceed 50 characters in length (including spacing between words).

For disclosure purposes in Schedule HI, memoranda items 7(a) through 7(k), when components of "Other noninterest expense" reflect a single charge for separate "bundled services" provided by third party vendors, disclose such amounts in the item with the preprinted caption that most closely describes the predominant type of expense incurred, and this categorization should be used consistently over time.

Include as other noninterest expense:

- (1) Fees paid to directors and advisory directors for attendance at board of directors or committee meetings (including travel and expense allowances).
- (2) Premiums on fidelity insurance (blanket bond, excess employee dishonesty bond), directors' and officers' liability insurance, and life insurance policies for which the holding company or its consolidated subsidiaries are the beneficiary.
- (3) Federal deposit insurance and Comptroller of the Currency assessment expense net of all assessment credits during the period.
- (4) Legal fees and other direct costs incurred in connection with foreclosures and subsequent noninterest expenses related to holdings of real estate owned other than holding company (or its consolidated subsidiaries) premises (including depreciation charges or other write-downs if prescribed by law



# Schedule HI

## Income (loss) before applicable income taxes and discontinued operations

Discontinued operations, net of applicable income taxes.

gains (losses) on available-for-sale securities," respectively).

- (5) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule HC at fair value under a fair value option. Holding companies should report these net decreases (increases) in fair value on trading assets and liabilities in Schedule HI, item 5(c); on servicing assets and liabilities in Schedule HI, item 5(f); and on other financial assets and liabilities in Schedule HI, item 5(l). Contractual amounts of interest income earned and interest expense incurred on these financial assets and liabilities should be excluded from the net decreases (increases) in fair value and reported in the appropriate interest income or interest expense items on Schedule HI.

### Line Item 7(e) Total noninterest expense.

Report the sum of items 7(a) through 7(d).

### Line Item 8 ~~Income (loss) before income taxes, extraordinary items, and other adjustments.~~

Report the consolidated holding company's pretax operating income. This amount will generally be determined by taking item 3, "Net interest income," minus item 4, "Provision for loan and lease losses," plus item 5(m), "Total noninterest income," plus or minus item 6(a), "Realized gains (losses) on held-to-maturity securities," plus or minus item 6(b), "Realized gains (losses) on available-for-sale securities," minus item 7(e), "Total noninterest expense." If the result is negative, report with a minus (-) sign.

### Line Item 9 Applicable income taxes (on item 8).

Report the total estimated federal, state and local, and foreign income tax expense applicable to item 8, "Income (loss) before income taxes and ~~extraordinary items and other adjustments,~~" including the tax effects of gains (losses) on securities not held in trading accounts (i.e., ~~available for sale securities and held to maturity securities~~). Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, report with a minus (-) sign.

Include as applicable income taxes all taxes based on a net amount of taxable revenues less deductible expenses. Exclude from applicable income taxes all taxes based on

gross revenues or gross receipts (report such taxes in item 7(d), "Other noninterest expense").

Include income tax effects of changes in tax laws or rates. Also include the effect of changes in the valuation allowance related to deferred tax assets resulting from a change in estimate of the realizability of deferred tax assets, excluding the effect of any valuation allowance changes related to unrealized holding gains (losses) on available-for-sale securities that are charged or credited directly to the separate component of equity capital for "Accumulated other comprehensive income" (Schedule HC, item 26(b)).

Include tax benefits from operating loss carrybacks realized during the reporting period. If the consolidated holding company has realized tax benefits from operating loss carryforwards during the reporting period, do not net the dollar amount of these benefits against the income taxes which would be applicable to item 8, "~~Income (loss) before income taxes and extraordinary items and other adjustments.~~" Report the dollar amount of income taxes applicable to item 8 in this item and report the realized tax benefits of operating loss carryforwards gross in item 11, "~~Extraordinary items and other adjustments, net of applicable income taxes.~~"

Also include the dollar amount of any material adjustments or settlements reached with a taxing authority (whether negotiated or adjudicated) relating to disputed income taxes of prior years.

Exclude the estimated federal, state and local, and foreign income taxes applicable to:

- (1) Item 11, "~~Extraordinary items and other adjustments, net of income taxes.~~"
- (2) Schedule HI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors."
- (3) Schedule HI-A, item 12, "Other comprehensive income."

### Line Item 10 ~~Income (loss) before extraordinary items and other adjustments.~~

Report the difference between item 8, "Income (loss) before income taxes and ~~extraordinary items and other adjustments,~~" and item 9, "Applicable income taxes (on item 8)." If the amount is negative, report with a minus (-) sign.

Discontinued operations net of applicable income taxes.

Discontinued operations.



# Schedule HI

Report the results of discontinued operations, if any, net of applicable income taxes, as determined in accordance with the provisions of ASC Subtopic 205-20, Presentation of Financial Statements-Discontinued Operations (formerly FASB Statement No. 144, "Accounting for the Impairment of Long-Lived Assets"). If the amount reported in this item is a net loss, report with a minus (-) sign.

Discontinued operations, net of applicable income taxes

## Line Item 11 ~~Extraordinary items and other adjustments, net of applicable income taxes.~~

Report the total of the transactions listed below, if any, net of any applicable income taxes (including federal, state and local, and foreign taxes). If the amount reported in this item is a net loss, report with a minus (-) sign.

Include as extraordinary items and other adjustments:

- (1) The material effects of any extraordinary items. Extraordinary items are very rare and the criteria which must be satisfied in order for an event or transaction to be reported as an extraordinary item are discussed in the Glossary entry for "extraordinary items."
- (2) Material aggregate gains on troubled debt restructurings of the consolidated holding company's own debt, as determined in accordance with the provisions of ASC Subtopic 470-60, Debt - Troubled Debt Restructurings by Debtors (formerly FASB Statement No. 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings*).
- (3) The cumulative effect of all changes in accounting principles except those required to be reported in Schedule HI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors." Refer to the Glossary entry for "accounting changes" for further discussion of changes in accounting principles.
- (4) The results of discontinued operations as determined in accordance with the provisions of ASC Subtopic 205-20, Presentation of financial Statements - Discontinued Operations (formerly FASB Statement No. 144, "Accounting for the Impairment of Long-Lived Assets").

Exclude from extraordinary items and other adjustments:

- (1) Net gains or losses on sales or other disposals of:
  - (a) All assets reportable as loans and leases in Schedule HC-C.
  - (b) Premises and fixed assets.
  - (c) Other real estate owned.
  - (d) Personal property acquired for debts previously contracted (such as automobiles, boats, equipment and appliances).

(e) Coins, art, and other similar assets.

(f) Branches (i.e., where the consolidated holding company sells a branch's assets to another depository institution which assumes the deposit liabilities of the branch).

For the first five categories above, holding companies should report net gains (losses) in the appropriate category of "Noninterest income" in Schedule HI, item 5. For the final category above, holding companies should consistently report net gains (losses) from branch sales as "Other noninterest income" in Schedule HI, item 5(l), or as "Other noninterest expense" in Schedule HI, item 7(d).

- (2) Write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other than temporary impairments (report in Schedule HI, item 6(a), "Realized gains (losses) on held-to-maturity securities," and item 6(b), "Realized gains (losses) on available-for-sale securities," respectively).

## Line Item 12 Net income (loss) attributable to holding company and noncontrolling (minority) interests.

Report the sum of Schedule HI, items 10 and 11. If this amount is a net loss, report with a minus (-) sign.

## Line Item 13 LESS: Net income (loss) attributable to noncontrolling (minority) interests.

Report that portion of consolidated net income reported in Schedule HI, item 12, above, attributable to noncontrolling interests of subsidiaries of the holding company. A noncontrolling interest, also called a minority interest, is the portion of equity in a holding company's subsidiary not attributable, directly or indirectly, to the parent holding company. If the amount reported in this item is a net loss, report with a minus (-) sign.

## Line Item 14 Net income (loss) attributable to company.

Report Schedule HI, item 12 less item 13. If this amount is a net loss, report with a minus (-) sign.

## Memoranda

### Line Item M1 Net interest income (item 3 above) on a fully taxable equivalent basis.

Report net interest income (Schedule HI, item 3 above) on a fully taxable equivalent basis. The amount reported



# Schedule HI

in this item should reflect what net interest income of the reporting holding company would be if all its interest income was subject to federal and state income taxes.

The following accounts on which the interest income is fully or partially tax-exempt, should be adjusted to a "taxable equivalent" basis in order that the holding company can compute its net interest income on a fully taxable equivalent basis:

- (1) interest income on tax-exempt obligations (other than securities) of states and political subdivisions in the U.S. (included in Schedule HI, item 1(a));
- (2) income on tax-exempt securities issued by states and political subdivisions in the U.S. (included in Schedule HI, item 1(d)(3));
- (3) income on lease financing receivables that is tax-exempt (included in Schedule HI, item 1(b)); and
- (4) any other interest income (such as interest income earned on loans to an Employee Stock Ownership Plan), which under state or federal laws is partially or in its entirety exempt from income taxes.

The changes to the 1986 Tax Reform Act must be taken into consideration when computing net interest income on a fully taxable equivalent basis. The 1986 Act, in general, disallowed 100% of the interest expense allocable to tax-exempt obligations acquired after August 7, 1986. Previous to that date, and after December 31, 1982, the disallowance percentage was 20%; previous to December 31, 1982, the disallowance was 0%.

## **Line Item M2 Net income before income taxes, extraordinary items, and other adjustments (item 8 above) on a fully taxable equivalent basis.**

Report net income before income taxes, extraordinary items, and other adjustments (item 8 above) on a fully taxable equivalent basis. The amount reported in this item should reflect what net income of the reporting holding company would be if all its income was subject to federal and state income taxes. For purposes of this item, include net interest income on a fully taxable equivalent basis as reported in memoranda item 1 above plus all other income and expense adjusted to reflect the holding company's net income on a fully taxable equivalent basis.

## **Line Item M3 Income on tax-exempt loans and leases to states and political subdivisions in the U.S. (included in items 1(a) and 1(b) above).**

Report the holding company's best estimate of the income from all tax-exempt loans and leases extended to states and political subdivisions in the U.S. that is included in items 1(a) and 1(b) above.

Tax-exempt loans and leases are those loans and leases to states and political subdivisions in the U.S. whose income is excludable from gross income for federal income tax purposes, regardless of whether the income from the loan or lease must be included in the holding company's alternative minimum taxable income and regardless of the federal income tax treatment of the expense incurred to carry the loan or lease.

## **Line Item M4 Income on tax-exempt securities issued by states and political subdivisions in the U.S. (included in item 1(d)(3) above).**

Report the holding company's best estimate of the income from all tax-exempt securities issued by states and political subdivisions in the U.S. that is included in item 1(d)(3) above.

## **Line Item M5 Number of full-time equivalent employees at end of current period.**

Report the number of full-time equivalent employees on the payroll of the holding company and its consolidated subsidiaries as of the report date.

To convert the number of part-time employees to full-time equivalent employees, add the total number of hours all part-time and temporary employees worked during the quarter ending on the report date and divide this amount by the number of hours a full-time employee would have been expected to work during the quarter. Round the result to the nearest whole number and add it to the number of full-time employees. (A full-time employee may be expected to work more or less than 40 hours each week, depending on the policies of the reporting holding company.)

## **Line Item M6 Other noninterest income (only report amounts greater than \$25,000 that exceed 3% of Schedule HI, item 5(l)).**

Disclose in memoranda items 6(a) through 6(e) each component of Schedule HI, item 5(l), "Other noninterest income," and the dollar amount of such component, that

\$100,000

1



# Schedule HI

\$100,000

is greater than \$25,000 and exceeds 3 percent of the "Other noninterest income."

Preprinted captions have been provided for the following categories of "Other noninterest income":

- M6(a), "Income and fees from the printing and sale of checks,"
- M6(b), "Earnings on/increase in value of cash surrender value of life insurance,"
- M6(c), "Income and fees from automated teller machines (ATMs),"
- M6(d), "Rent and other income from other real estate owned,"
- M6(e), "Safe deposit box rent,"
- M6(f), "Net change in the fair values of financial instruments accounted for under a fair value option," and
- M6(g), "Bank card and credit card interchange fees."
- M6(h), "Gains on bargain purchases."

M6(i),  
"Income  
and fees  
from wire  
transfers."

For other components of "Other noninterest income" that exceed the disclosure threshold, list and briefly describe these components in memoranda items 6(i) through 6(k).

For components of "Other noninterest income" that reflect a single credit for separate "bundled services" provided through third party vendors, disclose such amounts in the item that most closely describes the predominant type of income earned, and this categorization should be used consistently over time.

If net losses have been reported in Schedule HI, item 5(l), for a component of "Other noninterest income," use the absolute value of such net losses to determine whether the amount of the net losses is greater than \$25,000 and exceeds 3 percent of "Other noninterest income" and should be reported in this item. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) If net losses are reported in this item, report with a minus (-) sign. A sample of the types of items that may require disclosure has been included in the instructions to item 5(l) above. The description of each item reported in memoranda items 6(i) through 6(k) should be reported in the area marked as "text" on the report form in a **clear and concise manner** and limited to 132 characters per item (including punctuation and spaces). Do not use

words such as "miscellaneous" or "other" to describe these items. The dollar amount should be reported in the adjacent column on the right. If there are no reportable amounts for memoranda items 6(i) through 6(k), then these items should be left blank.

**Line Item M7 Other noninterest expense (only report amounts greater than \$25,000 that exceed 3% of the sum of Schedule HI, item 7(d)).**

Disclose in memoranda items 7(a) through 7(n) each component of Schedule HI, item 7(d), "Other noninterest expense," and the dollar amount of such component, that is greater than \$25,000 and exceeds 3 percent of the "Other noninterest expense."

Preprinted captions have been provided for the following categories of "Other noninterest expense":

- M7(a), "Data processing expenses,"
- M7(b), "Advertising and marketing expenses,"
- M7(c), "Directors' fees,"
- M7(d), "Printing, stationery, and supplies,"
- M7(e), "Postage,"
- M7(f), "Legal fees and expenses,"
- M7(g), "FDIC deposit insurance assessments,"
- M7(h), "Accounting and auditing expenses,"
- M7(i), "Consulting and advisory expenses,"
- M7(j), "Automated teller machine (ATM) and interchange expenses," and
- M7(k), "Telecommunications expenses."

Include in "Telecommunications expenses" any expenses associated with telephone, cable, and internet services (including web page maintenance).

For other components of "Other noninterest expense" that exceed the disclosure threshold, list and briefly describe these components in memoranda items 7(i) through 7(n).

For components of "Other noninterest expense" that reflect a single charge for separate "bundled services" provided by third-party vendors, disclose such amounts in the item that most closely describes the predominant type of expense incurred, and this categorization should be used consistently over time.

M7(l), "Other real estate owned expenses  
M7(m), "Insurance expenses (not included  
in employee expenses, premises and fixed  
assets expenses, and other real estate  
owned expenses.



# Schedule HI

Do not itemize "Benefits, losses, and expenses from insurance-related activities." These amounts are reported separately in Schedule HI, memorandum item 12(c).

If net gains have been reported in this item for a component of "Other noninterest expense," use the absolute value of such net gains to determine whether the amount of the net gains is greater than \$25,000 and exceeds 3 percent of "Other noninterest expense" and should be reported in this item. (The absolute value refers to the magnitude of the dollar amount without regard to whether the amount represents net gains or net losses.) If net gains are reported in this item, report with a minus (-) sign. A sample of the types of items that may require disclosure has been included in the instructions to item 7(d) above. The description of each item reported in memoranda items 7(i) through 7(n) should be reported in the area marked as "text" on the report form in a **clear and concise manner** and limited to 132 characters per item (including punctuation and spaces). Do not use words such as "miscellaneous" or "other" to describe these items. The dollar amount should be reported in the adjacent column on the right. If there are no reportable amounts for memoranda items 7(i) through 7(n), then these items should be left blank.

## Line Item M8 ~~Extraordinary items and other adjustments.~~

List and briefly describe in items M8(a) through M8(c) below each ~~extraordinary item or adjustment~~ included in item 11, ~~"Extraordinary items and other adjustments, net of income taxes"~~ below. However, each item should be reported separately, gross of income taxes and the income tax effect separately reported, as indicated.

If an ~~extraordinary item or other adjustment~~ is a loss or otherwise reduces the holding company's income, report with a minus (-) sign. If an applicable income tax effect is a tax benefit (rather than a tax expense), report with a minus (-) sign.

## Line Item M9 Trading revenue (from cash instruments and derivative instruments).

Memorandum items 9(a) through 9(e) are to be completed by holding companies that reported average trading assets (in Schedule HC-K, item 4(a)) of \$2 million or more for any quarter of the preceding calendar year. Memorandum items 9(f) and 9(g) are to be completed by holding companies with \$100 billion or more in total

assets that are required to complete Memorandum items 9(a) through 9(e).

Report, in Memorandum items 9(a) through 9(e) below, a breakdown of trading revenue that has been included in the body of the income statement in Schedule HI, item 5(c). For each of the four types of underlying risk exposure, report the combined revenue (net gains and losses) from trading cash instruments and derivative instruments. For purposes of Memorandum item 9, the reporting holding company should determine the underlying risk exposure category in which to report the trading revenue from cash instruments and derivative instruments in the same manner that the holding company makes this determination for other financial reporting purposes. The sum of Memorandum items 9(a) through 9(e) must equal Schedule HI, item 5(c).

## Line Item M9(a) Interest rate exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting holding company manages as interest rate exposures. Interest rate exposures may arise from cash debt instruments (e.g., U.S. Treasury securities) and interest rate contracts. Interest rate contracts are those contracts related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). Interest rate contracts include single currency interest rate swaps, basis swaps, forward rate agreements, and interest rate options, including caps, floors, collars, and corridors.

Exclude trading revenue on contracts involving the exchange of foreign currencies (e.g., cross-currency swaps and currency options) that the reporting holding company manages as foreign exchange exposures. Report such trading revenue in Memorandum item 9(b).

## Line Item M9(b) Foreign exchange exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting holding company manages as foreign exchange exposures. Foreign exchange exposures may arise from cash instruments (e.g., debt securities) denominated in non-U.S. currencies and foreign exchange rate contracts. Foreign exchange rate contracts are those contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange in the forward market (i.e., on an organized

HI-24

Discontinued operations and applicable income tax effect

discontinued operations

"Discontinued operations net of applicable income taxes."

of the discontinued operations

Schedule HI FR Y-9C March 2015

September 2016



## Predecessor Financial Items

Leave this item blank if the subsidiary banks of the acquired company had no trust departments and the acquired company had no consolidated subsidiaries that rendered services in any fiduciary capacity.

### Line Item 5(b) Trading revenue.

Report the net gain or loss from trading cash instruments and off-balance-sheet derivative contracts (including commodity contracts) that was recognized during the year to date of acquisition.

Include as trading revenue:

- (1) Revaluation adjustments to the carrying value of trading assets and liabilities as defined in Schedule HC, items 5 and 15, resulting from the periodic marking to market of such assets and liabilities;
- (2) Revaluation adjustments from the periodic marking to market interest rate, foreign exchange, equity derivative, and commodity and other contracts as defined in Schedule HC-L, item 12; and
- (3) Incidental income and expense related to the purchase and sale of trading assets and liabilities as defined in Schedule HC, items 5 and 15, and off-balance-sheet derivative contracts as defined in Schedule HC-L, item 12.

If the amount to be reported in this item is a net loss, report with a minus (-) sign.

### Line Item 5(c) Investment banking, advisory, brokerage and underwriting fees and commissions.

Report fees and commissions from underwriting (or participating in the underwriting of) securities, investment advisory and management services, merger and acquisition services, and other related consulting fees. Include fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the sale of annuities to the acquired company's customers by securities brokerage firms, from the purchase and sale of securities and money market instruments where the acquired company was acting as agent for other banking institutions or customers and from the lending of securities owned by the predecessor company or its customers (if these fees and commissions are not included in Notes to the Income Statement - Predecessor Financial Items, item 5(a), "Income from fiduciary activities," or item 5(b), "Trading revenue").

Also include the acquired company's proportionate share of the income or loss before ~~extraordinary items and other adjustments~~ from its investment in:

- (1) Unconsolidated subsidiaries,
- (2) Associated companies, and
- (3) Corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the acquired company exercised significant influence that were principally engaged in investment banking, advisory, brokerage or securities underwriting activities.

### Line Item 5(d) Venture capital revenue.

Report as venture capital revenue market value adjustments, interest, dividends, gains, and losses (including impairment losses) on venture capital investments (loans and securities).

Also include the acquired company's proportionate share of the income or loss before ~~extraordinary items and other adjustments~~ from its investment in:

- (1) Unconsolidated subsidiaries,
- (2) Associated companies, and
- (3) Corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the acquired company exercised significant influence that were principally engaged in venture capital activities.

In general, venture capital activities involve the providing of funds, whether in the form of loans or equity, and technical and management assistance, when needed and requested, to start-up or high-risk companies specializing in new technologies, ideas, products, or processes. The primary objective of these investments is capital growth.

### Line Item 5(e) Net securitization income.

Report net gains (losses) on assets sold in securitization transactions, (i.e., net of transaction costs). Include fees (other than servicing fees) earned from the acquired company's securitization transactions and unrealized losses (and recoveries or unrealized losses) on loans and leases held for sale in securitization transactions. Exclude income from servicing securitized assets and seller's interests and residual interests retained by the acquired company.

discontinued  
operations

discontinued  
operations



# Predecessor Financial Items

## Line Item 5(f) Insurance commissions and fees.

Report the amount of premiums earned by holding company subsidiaries engaged in insurance underwriting and reinsurance activities, and income from insurance product sales and referrals, as defined in Schedule HI, items 5(h)(1) and 5(h)(2).

## Line Item 6 Realized gains (losses) on held-to-maturity and available-for-sale securities.

Report the net gain or loss realized during the year to date of acquisition from the sale, exchange, redemption, or retirement of all securities as defined in Schedule HC, items 2(a) and 2(b). The realized gain or loss is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and the amortized cost. Also include in this item the write-downs of the cost basis of individual held-to-maturity or available-for-sale securities for other-than-temporary impairments. If the amount to be reported in this item is a net loss, report with a minus (-) sign.

Do not adjust for applicable income taxes (income taxes applicable to gains (losses) on held-to-maturity or available-for-sale securities are to be reported in item 9, "Applicable income taxes (on item 8)," below).

Exclude from this item:

- (1) Net gains (losses) from the sale of detached securities coupons and the sale of ex-coupon securities (report in item 5, "Total noninterest income," or item 7, "Total noninterest expense," as appropriate); and
- (2) The change in net unrealized holding gains (losses) on available-for-sale securities during the year to date of acquisition.

## Line Item 7 Total noninterest expense.

Report the total noninterest expense of the acquired company for the year to date of acquisition.

Include as noninterest expense:

- (1) Salaries and employee benefits;
- (2) Expenses of premises and fixed assets;
- (3) Goodwill impairment losses;
- (4) Amortization expense and impairment losses for other intangible assets; and
- (5) Other noninterest expense.

## Line Item 7(a) Salaries and employee benefits.

Report salaries and benefits of all officers and employees of the acquired company and its consolidated subsidiaries including guards and contracted guards, temporary office help, dining room and cafeteria employees, and building department officers and employees (including maintenance personnel).

Include as salaries and employee benefits:

- (1) Gross salaries, wages, overtime, bonuses, incentive compensation, and extra compensation;
- (2) Social security taxes and state and federal unemployment taxes paid by the consolidated acquired company;
- (3) Contributions to the consolidated acquired company's retirement plan, pension fund, profit-sharing plan, employee stock ownership plan, employee stock purchase plan, and employee savings plan;
- (4) Premiums (net of dividends received) on health and accident, hospitalization, dental, disability, and life insurance policies for which the consolidated acquired company was not the beneficiary;
- (5) Cost of office temporaries whether hired directly by the acquired company or its consolidated subsidiaries or through an outside agency;
- (6) Worker's compensation insurance premiums;
- (7) The net cost to the acquired company or its consolidated subsidiaries for employee dining rooms, restaurants, and cafeterias;
- (8) Accrued vacation pay earned by employees during the year to date of acquisition; and
- (9) The cost of medical or health services, relocation programs and reimbursement programs, and other so-called fringe benefits for officers and employees.

## Line Item 7(b) Goodwill impairment losses.

Report any impairment losses recognized during the year to date of acquisition on goodwill (as defined for Schedule HC, item 10(a)). See Schedule HI, item 7(c)(1) for further guidance.

## Line Item 8 ~~Income (loss) before income taxes, extraordinary items, and other adjustments.~~

Report the consolidated acquired company's pretax operating income. This amount will generally be determined



## Predecessor Financial Items

Report the results of discontinued operations, if any, net of applicable income taxes, as determined in accordance with the provisions of ASC Subtopic 205-20, Presentation of Financial Statements-Discontinued Operations (formerly FASB Statement No. 144, "Accounting for the Impairment of Long-Lived Assets"). If the amount reported in this item is a net loss, report with a minus (-) sign.

by taking item 1, minus the sum of item 2 and item 4, plus item 5, plus or minus item 6, minus item 7. If the result is negative, report with a minus (-) sign.

### Line Item 9 Applicable income taxes.

Report the total estimated federal, state and local, and foreign income tax expense applicable to item 8, "~~Income (loss) before income taxes, extraordinary items, and other adjustments~~," including the tax effects of gains (losses) on securities not held in trading accounts (i.e., held-to-maturity and available-for-sale securities). Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, report with a minus (-) sign.

Include as applicable income taxes all taxes based on a net amount of taxable revenues less deductible expenses. Exclude from applicable income taxes all taxes based on gross revenues or gross receipts.

Include income tax effects of changes in tax laws or rates. Also include the effect of changes in the valuation allowance related to deferred tax assets resulting from a change in estimate of the realizability of deferred tax assets, excluding the effect of any valuation allowance changes related to unrealized holding gains (losses) on available-for-sale securities that are charged or credited directly to the separate component of equity capital for "Accumulated other comprehensive income."

Include tax benefits from operating loss carrybacks realized during the reporting period up to acquisition date. If the consolidated acquired company had realized tax benefits from operating loss carryforwards during this period, do not net the dollar amount of these benefits against the income taxes which would be applicable to item 8. Report the dollar amount of income taxes applicable to item 8 in this item and report the realized tax benefits of operating loss carryforwards gross in item 11, "~~Extraordinary items, net of applicable income taxes and minority interest~~."

Also include the dollar amount of any material adjustments or settlements reached with a taxing authority (whether negotiated or adjudicated) relating to disputed income taxes of prior years (report in noninterest income or noninterest expense, as appropriate).

Exclude the estimated federal, state and local, and foreign income taxes applicable to:

Income (loss) before applicable income taxes and discontinued operations.

- (1) Item 11, "~~Extraordinary items~~, net of applicable income taxes and noncontrolling (minority) interest";
- (2) Any changes due to corrections of material accounting errors and changes in accounting principles; and
- (3) Other comprehensive income.

### Line Item 10 Noncontrolling (minority) interest.

Report the noncontrolling (minority) interest in the net income or loss of the acquired company's consolidated subsidiaries.

### Line Item 11 ~~Extraordinary items~~, net of applicable income taxes and noncontrolling (minority) interest.

Report the total of the transactions listed below, if any, net of any applicable income taxes (including federal, state and local, and foreign taxes). If the amount reported in this item is a net loss, report with a minus (-) sign.

Include as extraordinary items and other adjustments:

- (1) The material effects of any extraordinary items. Extraordinary items are very rare and the criteria which must be satisfied in order for an event or transaction to be reported as an extraordinary item are discussed in the Glossary entry for "extraordinary items."
- (2) Material aggregate gains on troubled debt restructurings of the consolidated acquired company's own debt, as determined in accordance with the provisions of ASC Subtopic 470-60, Debt – Troubled Debt Restructurings by Debtors (formerly FASB Statement No. 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings*).
- (3) The cumulative effect of all changes in accounting principles except those required to be reported in cumulative effect of changes in accounting principles and corrections of material accounting errors. Refer to the Glossary entry for "accounting changes" for further discussion of changes in accounting principles.
- (4) The results of discontinued operations as determined in accordance with the provisions of ASC Topic 360, Property, Plant, and Equipment (formerly FASB Statement No. 144, *Accounting for the Impairment of Long-Lived Assets*).



## Predecessor Financial Items

Exclude from extraordinary items and other adjustments:

- (1) Net gains or losses on sales or other disposals of:
  - (a) All assets reportable as loans and leases in Schedule HC-C;
  - (b) Premises and fixed assets;
  - (c) Other real estate owned;
  - (d) Personal property acquired for debts previously contracted (such as automobiles, boats, equipment and appliances);
  - (e) Coins, art, and other similar assets; and
  - (f) Branches (i.e., where the consolidated acquired company sold a branch's assets to another depository institution which assumes the deposit liabilities of the branch).

Report these items in noninterest income or noninterest expense, as appropriate, above.

- (2) Write-downs of the cost basis of individual held-to-maturity and available-for-sale securities for other than temporary impairments (report in item 6).

### Line Item 12 Net income (loss).

Report the difference between item 8 and the sum of item 9, item 10, and item 11. If the amount is negative, report with a minus (-) sign.

### Line Item 13 Cash dividends declared.

Report all cash dividends declared on common and preferred stock (including limited-life preferred stock) during the year to date of acquisition, including dividends not payable until after the acquisition date.

Do not include dividends declared during the previous calendar year but paid in the current period.

For further information on cash dividends, refer to the Glossary entry for "dividends."

### Line Item 14 Net charge-offs.

Report in this item the difference between gross charge-offs (loans and leases charged by the acquired company against the allowance) and recoveries (amounts credited to the allowance for recoveries on loans and leases previously charged against the allowance) from January 1 to the last business day prior to the date of the BHC's merger with the acquired entity. Include in charged off

loans and leases write-downs to fair value on loans and leases transferred to the held-for-sale account during the year to date of acquisition that occurred when (1) the acquired company decided to sell loans that were not originated or otherwise acquired with the intent to sell and (2) the fair value of those loans had declined for any reason other than a change in the general market level of interest or foreign exchange rates.

### Line Item 15 Net interest income (item 3 above) on a fully taxable equivalent basis.

Report net interest income (Notes to the Income Statement - Predecessor Financial Items, item 3, "Net interest income," above) on a fully taxable equivalent basis. The amount reported in this item should reflect what net interest income of the acquired company would have been if all its interest income were subject to federal and state income taxes.

The following accounts, on which the interest income is fully or partially tax-exempt, should be adjusted to a "taxable equivalent" basis in order that the acquired company's interest income can be computed on a fully taxable equivalent basis:

- (1) Interest income on tax-exempt obligations (other than securities) of states and political subdivisions in the U.S. (included in Notes to the Income Statement - Predecessor Financial Items, item 1(a), "Interest income on loans and leases");
- (2) Income on lease financing receivables that is tax-exempt (included in Notes to the Income Statement - Predecessor Financial Items, item 1(a), "Interest income on loans and leases");
- (3) Income on tax-exempt securities issued by states and political subdivisions in the U.S. (included in Notes to the Income Statement - Predecessor Financial Items, item 1(b), "Interest income on investment securities"); and
- (4) Any other interest income (such as interest income earned on loans to an Employee Stock Ownership Plan), which under state or federal laws is partially or in its entirety exempt from income taxes.

The changes to the 1986 Tax Reform Act must be taken into consideration when computing net interest income on a fully taxable equivalent basis. The 1986 Act, in general, disallowed 100% of the interest expense allocable to tax-exempt obligations acquired after August 7,



## Schedule HC-C

from this item commercial and industrial loans to U.S. addressees restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule HC-N, item 4(a) and Memorandum item 1(e)(1)).

### Line Item M1(e)(2) To non-U.S. addressees (domicile).

Report all commercial and industrial loans to non-U.S. addressees (as defined for Schedule HC-C, item 4(b)) that have been restructured in troubled debt restructurings and are in compliance with their modified terms. Exclude from this item commercial and industrial loans to non-U.S. addressees restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status.

### Line Item M1(f) All other loans.

Report all other loans that cannot properly be reported in Memorandum items 1(a) through 1(e) above that have been restructured in troubled debt restructurings and are in compliance with their modified terms. Exclude from this item all other loans restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule HC-N).

Include in this item loans in the following categories that have been restructured in troubled debt restructurings and are in compliance with their modified terms:

- (1) Loans secured by farmland (in domestic offices) (as defined for Schedule HC-C, item 1.b, column B);
- (2) Loans to depository institutions and acceptances of other banks (as defined for Schedule HC-C, item 2);
- (3) Loans to finance agricultural production and other loans to farmers (as defined for Schedule HC-C, item 3);
- (4) Loans to individuals for household, family, and other personal expenditures (as defined for Schedule HC-C item 6);
- (5) Loans to foreign governments and official institutions (as defined for Schedule HC-C, item 7);
- (6) Obligations (other than securities and leases) of states and political subdivisions in the U.S. (included in Schedule HC-C, item 9(b)(2));

(7) Loans to nondepository financial institutions and other loans (as defined for Schedule HC-C, item 9); and

(8) Loans secured by real estate in foreign offices (as defined for Schedule HC-C, item 1, column A).

Report in Schedule HC-C, Memorandum items 1(f)(1) through 1(f)(6), each category of loans within "All other loans" that have been restructured in troubled debt restructurings and are in compliance with their modified terms, and the dollar amount of loans in such category, that exceeds 10 percent of total loans restructured in troubled debt restructurings that are in compliance with their modified terms (i.e., 10 percent of the sum of Schedule HC-C, Memorandum items 1(a) through 1(f)). Preprinted captions have been provided in Memorandum items 1(f)(1) through 1(f)(6) for reporting the amount of such restructured loans for the following loan categories if the amount for a loan category exceeds the 10 percent reporting threshold: Loans secured by farmland (in domestic offices); ~~Loans to depository institutions and acceptances of other banks;~~ Loans to finance agricultural production and other loans to farmers; (Consumer) Credit cards; Automobile loans; Other consumer loans; ~~Loans to foreign governments and official institutions; and Other loans (i.e., Obligations (other than securities and leases) of states and political subdivisions in the U.S., Loans to nondepository financial institutions and other loans, and Loans secured by real estate in foreign offices).~~

### Line Item M2 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule HC-C, items 4 and 9 above.

Report in this item loans to finance commercial and residential real estate activities, e.g., acquiring, developing and renovating commercial and residential real estate, that are reported in Schedule HC-C, item 4, "Commercial and industrial loans," and item 9, "Other loans," column A.

Such loans generally may include:

- (1) loans made for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or
- (2) loans made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.



## 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 Retained beneficial interests in securitizations (first-loss or equity tranches).**

Report the total fair value of assets held for trading that represent interests that continue to be held by the holding company following a securitization (as defined by ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*) to the extent that such interests will absorb losses resulting from the underlying assets before those losses affect outside investors. Examples of such items include credit-enhancing interest-only strips (as defined in § .2 of the agencies' regulatory capital rules) and residual interests retained in securitization trusts.

### **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. Include equity securities classified as trading with readily determinable fair values as defined by ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*), and those equity securities that are outside the scope of ASC Topic 320.

#### **Line Item M7(a) Readily determinable fair values.**

Report the total fair value of all equity securities held for trading that are within the scope of ASC Topic 320.

#### **Line Item M7(b) Other.**

Report the total fair value of all equity securities held for trading other than those 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."

\$1,000,000

### **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 \$25,000 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.**

1,000,000

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 \$25,000 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 INSTRUCTIONS FOR

# Insurance-Related Underwriting Activities (Including Reinsurance)

## Schedule HC-I

### General Instructions

Schedule HC-I, Insurance-Related Underwriting Activities (Including Reinsurance), must be submitted by all **holding companies** on a consolidated basis. Report all items in this schedule in accordance with generally accepted accounting principles (GAAP). Include all insurance enterprises subject to ASC Topic 944, Financial Services - Insurance (formerly FAS 60, *Accounting and Reporting by Insurance Enterprises*).

The term "subsidiary," as defined in Section 225.2 of Federal Reserve Regulation Y, generally includes companies that are 25 percent or more owned or controlled by another company. However, for purposes of reporting "Total Assets" in part I, item 2 and part II, item 3, only include the consolidated assets of those insurance underwriting and reinsurance subsidiaries that are consolidated for financial reporting purposes under GAAP and the net investments in unconsolidated subsidiaries and associated companies that are accounted for under the equity method of accounting. For purposes of reporting "Total Equity" in part I, item 5 and part II, item 6, include the equity of subsidiaries that are fully consolidated under GAAP. In addition, "Net Income" in part I, item 6 and Part II, item 7, should include the net income of subsidiaries that are consolidated under GAAP and the reporting holding company's proportionate share of the net income of unconsolidated subsidiaries and associated companies that are accounted for under the equity method of accounting.

See the Glossary entries for additional information on the following terms: (1) Contractholder, (2) Insurance Commissions, (3) Insurance Underwriting, (4) Policyholder, (5) Insurance Premiums, (6) Reinsurance, (7) Reinsurance Recoverables, and (8) Separate Accounts.

### Part I. Property and Casualty

#### Assets

#### Line Item 1 Reinsurance recoverables.

Report reinsurance recoverables from unaffiliated property casualty reinsurers only.

#### Line item 2 Total assets.

Report the amount of total consolidated assets that are specific to property casualty insurance underwriting activities of the holding company. Include in total assets the assets of all legal entities that are considered to be an integral part of the company's property casualty insurance underwriting activities.

### Liabilities

#### Line item 3 Claims and claims adjustment expense reserves.

Report the liability for unpaid claims and claims adjustment expense reserves, which represents the estimated ultimate cost of settling claims, net of estimated recoveries, and including all costs expected to be incurred in connection with the settlement of unpaid claims. Such costs are accrued when an insured event occurs.

#### Line item 4 Unearned premiums.

Report the reserve for unearned premiums. Unearned premiums represent the policy premiums associated with the unexpired portion of the term of coverage.

#### Line item 5 Total equity.

Report the total equity capital of property casualty underwriting subsidiaries that are consolidated under GAAP.

#### Line item 6 Net income.

Report the consolidated net income attributable to property casualty insurance underwriting related activities of the holding company. Include the net income of all legal entities that are considered to be an integral part of the

September 2016

Item 1 is to be completed by holding companies with \$10,000,000 or more in reinsurance recoverables as of the effective date each quarter.



# Schedule HC-I

Item 1 is to be completed by holding companies with \$10,000,000 or more in reinsurance recoverables as of the effective date each quarter.

holding company's property and casualty insurance underwriting activities.

## Part II. Life and Health

### Assets

#### Line item 1 Reinsurance recoverables.

Report reinsurance recoverables from unaffiliated life and health reinsurers only.

#### Line item 2 Separate account assets.

Report all assets qualifying for separate account summary total presentation in the insurer's balance sheet. Include assets related to products in which the contractholder and not the insurer retains all or most of the investment and/or interest rate risk.

#### Line item 3 Total assets.

Report the amount of total consolidated assets that are specific to life and health insurance underwriting activities of the holding company. Include in total assets the assets of all legal entities that are considered to be an integral part of the company's life and health insurance underwriting activities.

### Liabilities

#### Line item 4 Policyholder benefits and contractholder funds.

Report the liability for future policy benefits, which represents the present value of future policy benefits to be paid to or on behalf of policyholders and related expenses less the present value of future net premiums. Also include contractholder funds that represent receipts from the issuance of universal life, corporate owned life insurance, pension investment and certain deferred annuity contracts.

#### Line item 5 Separate account liabilities.

Report all liabilities qualifying for separate account summary presentation in the insurer's balance sheet.

#### Line item 6 Total equity.

Report the equity capital of life and health underwriting subsidiaries that are consolidated under GAAP.

#### Line item 7 Net income.

Report the consolidated net income attributable to life and health insurance underwriting related activities of the holding company. Include the net income of all legal entities that are considered to be an integral part of the holding company's life and health insurance underwriting activities.



## Schedule HC-M

acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

Report in Schedule HC-M, items 6(a)(5)(a) through 6(a)(5)(d), each category of loans and leases within "All other loans and all leases" covered by loss-sharing agreements with the FDIC, and the dollar amount of covered assets in such category, that exceeds 10 percent of total loans and leases covered by loss-sharing agreements with the FDIC (i.e., 10 percent of the sum of Schedule HC-M, items 6(a)(1) through 6(a)(5)). Pre-printed captions have been provided in items 6(a)(5)(a) through 6(a)(5)(d) for reporting the amount of covered loans and leases for the following loan and lease categories if the amount for a loan or lease category exceeds the 10 percent reporting threshold: Loans to depository institutions and acceptances of other banks, Loans to foreign governments and official institutions, Other loans (i.e., Obligations (other than securities and leases) of states and political subdivisions in the U.S., Loans to nondepository financial institutions and other loans, and Loans secured by real estate in foreign offices), and Lease financing receivables.

### **Line Item 6(b) Other real estate owned.**

Report in the appropriate subitem the carrying amount of other real estate owned (included in Schedule HC, item 7) acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

### **Line Item 6(b)(1) Construction, land development, and other land (in domestic offices).**

Report the carrying amount of all other real estate owned included in Schedule HC, item 7, representing construction, land development, and other land (in domestic offices), acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

### **Line Item 6(b)(2) Farmland (in domestic offices).**

Report the carrying amount of all other real estate owned included in Schedule HC, item 7, representing farmland (in domestic offices), acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

### **Line Item 6(b)(3) 1-4 family residential properties (in domestic offices).**

Report the carrying amount of all other real estate owned included in Schedule HC, item 7, representing 1-4 family residential properties (in domestic offices), acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

### **Line Item 6(b)(4) Multifamily (5 or more) residential properties (in domestic offices).**

Report the carrying amount of all other real estate owned included in Schedule HC, item 7, representing multifamily (5 or more) residential properties (in domestic offices), acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

### **Line Item 6(b)(5) Nonfarm nonresidential properties (in domestic offices).**

Report the carrying amount of all other real estate owned included in Schedule HC, item 7, representing nonfarm nonresidential properties (in domestic offices), acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

### **Line Item 6(b)(6) In foreign offices.**

Report the carrying amount of all other real estate owned included in Schedule HC, item, representing amounts in foreign offices, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

### **Line Item 6(b)(7) Portion of covered other real estate owned included in items 6(b)(1) through (6) above that is protected by FDIC loss-sharing agreements.**

Report the maximum amount recoverable from the FDIC under loss-sharing agreements covering the other real estate owned reported in Schedule HC-M, items 6(b)(1) through (6), beyond the amount that has already been reflected in the measurement of the reporting holding company's indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement.



## Schedule HC-N

### **Line Item 12(d) Loans to individuals for household, family, and other personal expenditures:**

#### **Line Item 12(d)(1) Credit cards.**

Report in the appropriate column the amount of all covered extensions of credit arising from credit cards reported in Schedule HC-M, item 6(a)(4)(a), that are included in Schedule HC-N, item 6(a), above because they are past due 30 days or more or are in nonaccrual status as of the report date.

#### **Line Item 12(d)(2) Automobile loans.**

Report in the appropriate column the amount of all covered automobile loans reported in Schedule HC-M, item 6(a)(4)(b), that are included in Schedule HC-N, item 6(c), above because they are past due 30 days or more or are in nonaccrual status as of the report date.

#### **Line Item 12(d)(3) Other consumer loans.**

Report in the appropriate column the amount of all covered extensions of credit arising from other revolving credit plans and all other covered consumer loans reported in Schedule HC-M, item 6(a)(4)(c), that are included in Schedule HC-N, items 6(b) and 6(d), above because they are past due 30 days or more or are in nonaccrual status as of the report date.

#### **Line Item 12(e) All other loans and all leases.**

Report in the appropriate column the amount of covered loans and leases reported in Schedule HC-M, item 6(a)(5), "All other loans and all leases," that are past due 30 days or more or are in nonaccrual status as of the report date. Include in the appropriate column of this item covered loans in the following categories that are past due 30 days or more or are in nonaccrual status as of the report date:

- (1) Loans to depository institutions and acceptances of other banks included in Schedule HC-N, item 2;
- (2) Loans to foreign governments and official institutions included in Schedule HC-N, item 6;
- (3) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule HC-N, item 7;
- (4) Loans to nondepository financial institutions and other loans included in Schedule HC-N, item 7; and

- (5) Loans secured by real estate in foreign offices included in Schedule HC-N, item 1(f).

Also include in the appropriate column all covered lease financing receivables included in Schedule HC-N, item 8, above that are past due 30 days or more or are in nonaccrual status as of the report date.

For each category of loans and leases within "All other loans and all leases" for which the reporting holding company reported the amount of covered loans or leases in Schedule HC-M, items 6(a)(5)(a) through 6(a)(5)(d), report in the appropriate column in Schedule HC-N, items 12(e)(1) through 12(e)(4), the amount of covered loans or leases in that category that are past due 30 days or more or are in nonaccrual status as of the report date.

#### **Line Item 12(f) Portion of covered loans and leases included in items 12.a through 12.e above that is protected by FDIC loss-sharing agreements.**

Report the maximum amount recoverable from the FDIC under loss-sharing agreements covering the past due and nonaccrual loans and leases reported in Schedule HC-N, items 12(a)(1)(a) through 12(e), above beyond the amount that has already been reflected in the measurement of the reporting holding company's indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement.

In general, the maximum amount recoverable from the FDIC on covered past due and nonaccrual loans and leases is the recorded amount of these loans and leases, as reported in Schedule HC-N, items 12(a)(1)(a) through 12(e), multiplied by the currently applicable loss coverage rate (e.g., 80 percent or 95 percent). This product will normally be the maximum amount recoverable because reimbursements from the FDIC for covered losses related to the amount by which the "book value" of a covered asset on the failed institution's books (which is the amount upon which payments under an FDIC loss-sharing agreement are based) exceeds the amount at which the reporting holding company reports the covered asset on Schedule HC, Balance Sheet, should already have been taken into account in measuring the carrying amount of the reporting holding company's loss-sharing indemnification asset, which is reported in Schedule HC-F, item 6, "Other" assets.



## Schedule HC-N

troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

### Line Item M1(f) All other loans.

Report in the appropriate column all other loans that cannot properly be reported in Memorandum items 1(a) through 1(e) above that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. Include in the appropriate column of this item all loans in the following categories that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date:

- (1) Loans secured by farmland (in domestic offices) included in Schedule HC-N, item 1.b;
- (2) Loans to depository institutions and acceptances of other banks included in Schedule HC-N, item 2;
- (3) Loans to finance agricultural production and other loans to farmers included in Schedule HC-N, item 3;
- (4) Consumer credit cards included in Schedule HC-N, item 5(a);
- (5) Consumer automobile loans included in Schedule HC-N, item 5(b);
- (6) Other consumer loans included in Schedule HC-N, items 5(c);
- (7) Loans to foreign governments and official institutions included in Schedule HC-N, item 6;
- (8) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule HC-N, item 7;
- (9) Loans to nondepository financial institutions and other loans included in Schedule HC-N, item 7; and
- (10) Loans secured by real estate in foreign offices included in Schedule HC-N, item 1(f).

Report in Schedule HC-N, Memorandum items 1(f)(1) through 1(f)(6), each category of loans within "All other loans" that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status

as of the report date, and the dollar amount of loans in such category, that exceeds 10 percent of total loans restructured in troubled debt restructurings that are past due 30 days or more or are in nonaccrual status as of the report date (i.e., 10 percent of the sum of Schedule HC-N, Memorandum items 1(a) through 1(e) plus Memorandum item 1(f), columns A through C). Preprinted captions have been provided in Memorandum items 1(f)(1) through 1(f)(6) for reporting the amount of such restructured loans for the following loan categories if the amount for a loan category exceeds this 10 percent reporting threshold: Loans secured by farmland (in domestic offices); ~~Loans to depository institutions and acceptances of other banks;~~ Loans to finance agricultural production and other loans to farmers; (Consumer) credit cards; (Consumer) automobile loans; Other consumer loans; ~~Loans to foreign governments and official institutions; and Other loans (i.e., Obligations (other than securities and leases) of states and political subdivisions in the U.S.; Loans to nondepository financial institutions and other loans; and Loans secured by real estate in foreign offices).~~ **and**

### Line Item M2 Loans to finance commercial real estate, construction, and land development activities included (not secured by real estate) in Schedule HC-N, items 4 and 7, above.

Report the amount of loans to finance commercial real estate, construction, and land development activities **not secured by real estate** that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in items 4 and 7 of Schedule HC-N above. Exclude from this item all loans secured by real estate included in item 1 of Schedule HC-N above. This item corresponds with the amounts reported in memoranda item 2 of Schedule HC-C.

### Line Item M3 Loans and leases included in Schedule HC-N, items 1, 2, 4, 5, 6, 7, and 8 extended to non-U.S. addressees.

Report the total amount of past due and nonaccrual loans and leases extended to customers domiciled in a foreign country.

See the Glossary entry for "domicile" for the definition of non-U.S. addressee.



## Schedule HC-Q

using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments. Deposits withdrawable on demand (e.g., demand and savings deposits in domestic offices) are generally not eligible for the fair value option.

### **Line Item 9 Federal funds purchased and securities sold under agreements to repurchase.**

Report in the appropriate column the total fair value of those federal funds purchased and securities sold under agreements to repurchase reported in Schedule HC, items 14(a) and 14(b), that the holding company has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

### **Line Item 10 Trading liabilities:**

#### **Line Item 10(a) Derivative liabilities.**

Report in the appropriate column the total fair value of derivative liabilities held for trading purposes as reported in Schedule HC, item 15; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

#### **Line Item 10(b) Other trading liabilities.**

Report in the appropriate column the total fair value of trading liabilities, except for derivatives, as reported in Schedule HC, item 15; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

#### **Line Item 11 Other borrowed money.**

Report in the appropriate column the total fair value of those Federal Home Loan Bank advances and other borrowings reported in Schedule HC, item 16, that the holding company has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

#### **Line Item 12 Subordinated notes and debentures.**

Report in the appropriate column the total fair value of those subordinated notes and debentures (including mandatory convertible debt) reported in Schedule HC, item 19, that the holding company has elected to report under the fair value option; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

### **Line Item 13 All other liabilities.**

Report in the appropriate column the total fair value of all other liabilities that are required to be measured at fair value on a recurring basis or that the holding company has elected to report under the fair value option that is included in Schedule HC, Balance Sheet, and is not reported in Schedule HC-Q, items 8 through 12 above; the fair values determined using Level 1, Level 2, and Level 3 measurement inputs; and any netting adjustments.

Include derivative liabilities held for purposes other than trading, servicing liabilities measured at fair value under a fair value option, and other categories of liabilities measured at fair value on the balance sheet on a recurring basis under applicable accounting standards.

Exclude servicing liabilities initially measured at fair value, but subsequently measured using the amortization method (which are subject to fair value measurement on a nonrecurring basis).

### **Line Item 14 Total liabilities measured at fair value on a recurring basis.**

Report the sum of items 8 through 13.

## **Memoranda**

### **Line Item M1 All other assets.**

Disclose in Memorandum items 1(a) through 1(f) each component of all other assets, and the dollar amount of such component, that is greater than \$25,000 and exceeds 25 percent of the amount reported in Schedule HC-Q, item 6, column A. For each component of all other assets that exceeds this disclosure threshold for which a preprinted caption has not been provided in Memorandum items 1(a) and 1(b), describe the component with a clear but concise caption in Memorandum items 1(c) through 1(f). These descriptions should not exceed 50 characters in length (including spacing between words).

Preprinted captions have been provided for the following categories of all other assets:

- Memorandum item 1(a), "Mortgage servicing assets," and
- Memorandum item 1(b), "Nontrading derivative assets."

100,000



## Schedule HC-Q

100,000

### Line Item M2 All other liabilities.

Disclose in Memorandum items 2(a) through 2(f) each component of all other liabilities, and the dollar amount of such component, that is greater than ~~\$25,000~~ and exceeds 25 percent of the amount reported in Schedule HC-Q, item 13, column A. For each component of all other liabilities that exceeds this disclosure threshold for which a preprinted caption has not been provided in Memorandum items 2(a) and 2(b), describe the component with a clear but concise caption in Memorandum

items 2(c) through 2(f). These descriptions should not exceed 50 characters in length (including spacing between words).

Preprinted captions have been provided for the following categories of all other liabilities:

- Memorandum item 2(a), "Loan commitments (not accounted for as derivatives)," and
- Memorandum item 2(b), "Nontrading derivative liabilities."



## Schedule HC-R

- 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.** Report in items 18(a) and 18(e) 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(e) 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, excluding asset-backed commercial paper (ABCP) conduits.** 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, excluding unused commitments to asset-backed commercial paper (ABCP) conduits, that are subject to the regulatory capital rules.



## Schedule HC-R

- o 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
  - 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 those unused commitments described above in the instructions for Column A of this item that represent exposures to foreign banks.

**18(b) Original maturity of one year or less to ABCP conduits.** Do not report amounts in Schedule HC-R, Part II, item 18(b). Eligible asset-backed commercial paper (ABCP) liquidity facilities with an original maturity of one year or less are off-balance sheet securitization exposures and should be reported in Schedule HC-R, Part II, item 10.

18(b)

**18(c) 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(c) if the holding company has the unconditional right to cancel the line of credit at any time in accordance with applicable law.

For commitments providing for increases in the dollar amount of the commitment, the amount to be converted to an on-balance sheet credit equivalent amount and risk weighted is the maximum dollar amount that the holding company is obligated to advance at any time during the life of the commitment. This



## Glossary

Except for those unusual and infrequent gains and losses that qualify as extraordinary under the criteria in ASC Subtopic 225-20, Income Statement – Extraordinary and Unusual Items (formerly APB Opinion No. 30, “Reporting the Results of Operations”), holding companies should aggregate their gains and losses from the extinguishment of liabilities (debt), including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances, and consistently report the net amount in item 7(d), “Other noninterest expense,” of the income statement (Schedule HI). Only if a holding company’s debt extinguishments normally result in net gains over time should the holding company consistently report its net gains (losses) in Schedule HI, item 5(l), “Other noninterest income.”

In addition, under ASC Subtopic 470-50, Debt – Modifications and Extinguishments (formerly FASB Emerging Issues Task Force (EITF) Issue No. 96-19, *Debtor’s Accounting for a Modification or Exchange of Debt Instruments*), the accounting for the gain or loss on the modification or exchange of debt depends on whether the original and the new debt instruments are substantially different. If they are substantially different, the transaction is treated as an extinguishment of debt and the gain or loss on the modification or exchange is reported immediately in earnings as discussed in the preceding paragraph. If the original and new debt instruments are not substantially different, the gain or loss on the modification or replacement of the debt is deferred and recognized over time as an adjustment to the interest expense on the new borrowing. ASC Subtopic 470-50 provides guidance on how to determine whether the original and the new debt instruments are substantially different.

**Extraordinary Items:** ~~Extraordinary items are material events and transactions that are (1) unusual and (2) infrequent. Both of these conditions must exist in order for an event or transaction to be reported as an extraordinary item.~~

~~To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of holding companies. An event or transaction which is beyond holding company’s management’s control is not automatically considered to be unusual.~~

~~To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. Although the past occurrence of an event or transaction provides a basis for estimating the likelihood of its future~~

~~occurrence, the absence of a past occurrence does not automatically imply that an event or transaction is infrequent.~~

~~Only a limited number of events or transactions qualify for treatment as extraordinary items. Among these are losses which result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future), an expropriation, or a prohibition under a newly enacted law or regulation.~~

~~For further information, see ASC Subtopic 225-20, Income Statement – Extraordinary and Unusual Items (formerly APB Opinion No. 30, Reporting the Results of Operations).~~

**Fails:** When a holding company or its subsidiaries have sold an asset and, on settlement date, do not deliver the security or other asset and do not receive payment, a sales fail exists. When a holding company or its subsidiaries have purchased a security or other asset and, on settlement date, do not receive the asset and do not pay for it, a purchase fail exists. Fails do not affect the way securities are reported in the FR Y-9C. However, the receivable from a Fail should be reported in other assets. Likewise a payable from a Fail should be reported in other liabilities.

**Fair Value:** ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, *Fair Value Measurements*), defines fair value and establishes a framework for measuring fair value. ASC Topic 820 should be applied when other accounting topics require or permit fair value measurements. For further information, refer to ASC Topic 820.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the asset’s or liability’s principal (or most advantageous) market at the measurement date. This value is often referred to as an “exit” price. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced liquidation or distressed sale.

ASC Topic 820 establishes a three level fair value hierarchy that prioritizes inputs used to measure fair value based on observability. The highest priority is given to Level 1 (observable, unadjusted) and the lowest