

HC-R Part II- Risk Weighted Assets-Instructions

Insert A

8(c) Physical commodities conducted under section 4(k) or 4(o) of the BHC Act.

Report in Column A the market value of the FHC's covered physical commodity activities involving covered physical commodities conducted under section 4(k)(1)(B) or section 4(o) of the BHC Act (as applicable).

Each FHC is required to calculate the risk-weighted-asset amount of a covered physical commodity, as defined under §.2 of the regulatory capital rules,¹ based on the quantity of the covered physical commodity multiplied by the market value of the covered physical commodity. The quantity of a covered physical commodity is measured as the daily average of the amount of each covered physical commodity held by a FHC as of the close of business on each day of the previous calendar quarter.² The market price of a covered physical commodity is determined as a rolling-average of the month-end, end-of-day market spot price for the covered physical commodity over the previous 60-month period. If the market price of a commodity (e.g., oil) varies based on type, grade, and/or classification, the FHC is required to calculate the rolling average market price for each classification as a distinct covered physical commodity.

- *In Column A-* Report the total *market value* of the FHC's section 4(k) permissible commodities or section 4(o) permissible commodities, as determined under §.39 of the regulatory capital rules.³
- *In Column L- 300% risk weight,* report the *market value* of the FHC's section 4(k) permissible commodities.
 - If the section 4(k) cap parity amount, as determined under §.39 of the regulatory capital rules,⁴ of the FHC exceeds 5 percent of its tier 1 capital, then such excess (up to the sum of the exposure amounts for each section

¹ See the Board's notice of proposed rulemaking "Risk-based Capital and Other Regulatory Requirements for Activities of Financial Holding Companies Related to Physical Commodities and Risk-based Capital Requirements for Merchant Banking Investments" (Physical Commodities NPR).

² To calculate the quantity of a covered physical commodity, an FHC is required to apply the appropriate unit of measurement customarily used for each covered physical commodity. Customary units of measurement generally are reflected through industry convention and the actions of market participants. For example, physical commodity activities involving oil and oil products typically use barrels as the unit of measurement; transactions involving liquid natural gas would measure quantity in metric tons or gallons.

³ See Physical Commodities NPR.

⁴ See Physical Commodities NPR.

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4(k) permissible commodity owned by the FHC pursuant to section 4(o) of the BHC Act must be risk weighted in Column Q at 1,250 percent.

- *In column Q- 1250% risk weight, report the market value of the FHC's section 4(o) permissible commodities.*

8(d) Infrastructure assets pursuant to section 4(o) of the BHC Act.

Report the original cost (*i.e.*, cost basis gross of accumulated depreciation and asset impairment) of the FHC's section 4(o) infrastructure assets owned pursuant to section 4(o) of the Bank Holding Company Act. For purposes of this section, a 4(o) infrastructure asset is an on-balance-sheet exposure owned pursuant to section 4(o) of the Bank Holding Company Act that is not a physical commodity.

- *In Column A- Report the original cost basis of the FHC's infrastructure assets pursuant to section 4(o) of the Bank Holding Company Act.*
- *In Column Q- 1250% risk weight, report the original cost of the FHC's infrastructure assets pursuant to section 4(o) of the Bank Holding Company Act.*

8(e) Merchant Banking investments under Section 4(k)(4)(H) of the BHC Act.

Report in column A the *carrying value* of the FHC's investments in covered commodity merchant banking investments, as defined under §.40 of the regulatory capital rules,⁵ that are made under section 4(k)(4)(H) of the BHC Act.

- *In Column A- Report the total carrying value of equity investments in covered commodity merchant banking investments, as defined under §.40 of the regulatory capital rules, that are both publicly and non-publicly traded.*
- *In Column L- 300%, risk weight, report the carrying value of equity investments in covered commodity merchant banking investments that are publicly traded commodity trading portfolio companies, as defined under §.40 of the regulatory capital rules.⁶*
- *In Column M- 400%, risk weight, report the carrying value of investments in covered commodity merchant banking investments that are commodity trading portfolio companies and are not publicly traded.*
- *In Column Q- 1250% risk weight, report the carrying value of investments in covered commodity merchant banking investments that are not commodity trading portfolio companies.*

⁵ See Physical Commodities NPR.

⁶ See Physical Commodities NPR.

Schedule HC-W- Physical Commodities and Related Activities

General Instructions

HC-W is to be completed by financial holding companies (FHCs) that engage in transactions involving “covered physical commodities”, as defined under §.2 of the regulatory capital rules.¹ The definition of a covered physical commodity is intended to identify physical commodities that relevant Federal or state environmental law list as a covered substance for purposes of imposing liability for damages and/or cleanup costs related to the substance’s unauthorized release.

Schedule HC-W is divided into two sections, **Part A, Fair Value of physical commodities held in inventory and Part B, Physical commodity-related activities other than physical commodities reported in PART A.**

Financial holding companies must report in **Part A**, the *total fair value of covered physical commodities held in inventory by category in items 1-9*. The sum of the amounts in items 1-9 on this schedule should equal the fair value of physical commodities reported in Schedule HC, item 5, *Trading Assets*, Schedule HC-D, line item 9, *Other Trading assets*. An FHC should calculate the market value of its covered physical commodities held under sections 4(k)(1)(B) or 4(o) of the BHC Act (as applicable) in accordance with the Physical Commodities NPR. Under the Physical Commodities NPR, the FHC would determine the value of covered physical commodities by first determining the quantity of each covered physical commodity held by the FHC. The quantity in each case would be the sum of the quantities for each covered physical commodity (as held under the relevant authority), calculated by measuring the average of the amount of each covered physical commodity held as of the close of business on each day of the previous calendar quarter. The fair value of each covered physical commodity is the aggregate quantity of the covered physical commodity (calculated as described above) multiplied by the simple average of the commodity’s month-end, end-of-day spot prices over the previous 60 months.

In **Part B**, FHCs are required to indicate “Yes” or “No” to whether they own any covered physical commodities, section 4(o) infrastructure assets, or investments in covered commodity merchant banking investments, each as defined under the Physical Commodities NPR. FHCs also are required to indicate whether they are engaged in the exploration, extraction, production, or refining of physical commodities. Further, FHCs are required to report the fair value of section 4(k) and 4(o) permissible commodities owned, the original cost basis of any section 4(o) infrastructure assets owned, and the carrying value of their investments in covered commodity merchant banking investments.

PART A (items 1-9)

Report the total fair value of metals not pursuant to Section 222.28(b)(8)(iii)(base metals) that are held in inventory.

Line Item 1 Petroleum and petroleum products.

Report the total fair value of petroleum and petroleum products that are held in inventory.

Line Item 2 Natural Gas.

Report the total fair value of natural gas held in inventory.

Line Item 3 Natural gas liquids.

Report the total fair value of natural gas liquids held in inventory.

Line Item 4 Fertilizer.

Report the total fair value of fertilizer held in inventory.

Line Item 5 Propylene

Report the total fair value of propylene natural gas reported in inventory.

Line Item 6 Coal and coal products.

¹ See the Board’s notice of proposed rulemaking “Risk-based Capital and Other Regulatory Requirements for Activities of Financial Holding Companies Related to Physical Commodities and Risk-based Capital Requirements for Merchant Banking Investments” (Physical Commodities NPR).

Report the total fair value of coal and coal products reported in inventory.

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Line Item 7 Uranium, uranium concentrate uranium ore, and any other form of uranium.

Report the total fair value of Uranium, uranium concentrate uranium ore, and any other form of uranium held in inventory.

Line Item 8 Other covered physical commodities; and

Line Item 9 All other physical commodities.

Report the total fair value of all other physical commodities held in inventory that are not reported in items 1-8 above.

PART B

Physical commodity-related activities other than physical commodities reported in PART A. FHC's are required to indicate "Yes" or "No" to the questions below (line item 10-12) if they are engaged in particular aspects of physical commodity-related activities, other than physical commodity trading included in **Part A** with respect to the following commodities. Enter a "1" if the answer to this question is yes. Enter a "0" if the response to this question is no.

Commodity Category: Petroleum and petroleum products; Natural gas and natural gas liquids; Power/Electricity; Coal and coal Products; Uranium and uranium products; base metals; Fertilizer and Propylene

Line Item 10 Does the holding company own any covered physical commodities?

Enter a "1" if the answer to this question is yes. Enter a "0" if the answer to this question is no.

Line Item 11 Does the holding company own any section 4(o) infrastructure assets?

Enter a "1" if the answer to this question is yes. Enter a "0" if the answer to this question is no.

Line Item 12 Does the holding company own any investments in covered commodity merchant banking investments?

Enter a "1" if the answer to this question is yes. Enter a "0" if the answer to this question is no.

Line Item 13 Does the holding company engage in the exploration, production or refining of physical commodities?

Enter a "1" if the answer to this question is yes. Enter a "0" if the answer to this question is no.

Line Item 14 Does the holding company own facilities, vessels or conveyances for the storage or transportation of covered physical commodities?

Enter a "1" if the answer to this question is yes. Enter a "0" if the answer to this question is no.

Line item 15 Total fair value of section 4(k) and 4(o) permissible commodities owned.

Report the total fair value of section 4(k) permissible commodities owned and section 4(o) permissible commodities owned

Line item 16 Original cost basis of any section 4(o) infrastructure assets owned.

Report the original cost of any section 4(o) infrastructure assets owned.

Line item 17 Carrying value of investments in covered commodity merchant banking investments.

Report the carrying value of investments in covered commodity merchant banking investments.