Synopsis: The amendment revises the geographic scope of the Agreement.

Proposed Effective Date: 1/18/2019

Location: https://www2.fmc.gov/FMC.Agreements.Web/Public/AgreementHistory/20311.

Dated: December 7, 2018.

Rachel Dickon,

Secretary.

[FR Doc. 2018–26883 Filed 12–11–18; 8:45 am]

BILLING CODE 6731–AA–P

FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice, request for comment.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) invites comment on a proposal to extend for three years, with revision, the Financial Statements for Holding Companies (FR Y–9 family of reports) (OMB No. 7100–0128), the Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations (FR Y–7N family of reports) (OMB No. 7100–0125), the Bank Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates (FR Y–8) (OMB No. 7100–0126), the Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y–11 family of reports) (OMB No. 7100–0244), the Domestic Finance Company Report of Consolidated Assets and Liabilities (FR 2248) (OMB No. 7100–0005), the Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314 family of reports) (OMB No. 7100–0073), the Quarterly Savings and Loan Holding Company Report (FR 2320) (OMB No. 7100–0345), the Weekly Report of Selected Assets and Liabilities of Domestically Chartered Commercial Banks and U.S. Branches and Agencies of Foreign Banks (FR 2644) (OMB No. 7100–0075), and the Consolidated Report of Condition and Income for Edge and Agreement Corporations (FR 2886b) (OMB No. 7100–0086).

DATES: Comments must be submitted on or before February 11, 2019.

ADDRESSES: You may submit comments, identified by *FR Y–9C, FR Y–9LP, FR Y–9SP, FR Y–9ES, FR Y–9CS, FR Y–7, FR Y–7N, FR Y–7Q, FR Y–8, FR Y–11, FR Y–11S, FR 2248, FR 2314, FR 2320, FR 2644, or FR 2886b* by any of the following methods:

- *Agency Website: http://www.federalreserve.gov.* Follow the instructions for submitting comments at *http://www.federalreserve.gov/apps/foia/proposedregs.aspx.*
- *Email: regs.comments@federalreserve.gov.* Include OMB number in the subject line of the message.
- *Fax:* (202) 452–3819 or (202) 452–3102.
- *Mail:* Ann Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551.

All public comments are available from the Board's website at *http://www.federalreserve.gov/apps/foia/proposedregs.aspx* as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street (between 18th and 19th Streets NW), Washington, DC 20006, between 9:00 a.m. and 5:00 p.m. on weekdays. For security reasons, the Board requires that visitors make an appointment to inspect comments. You may do so by calling (202) 452–3684. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments. Additionally, commenters may send a copy of their comments to the OMB Desk Officer—Shagufta Ahmed—Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street NW, Washington, DC 20503, or by fax to (202) 395–6974.

FOR FURTHER INFORMATION CONTACT: A copy of the PRA OMB submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB's public docket files, if approved. These documents will also be made available on the Federal Reserve Board's public website at: *http://www.federalreserve.gov/apps/reportforms/review.aspx* or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer—Nuha Elmaghrabi—Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551, (202) 452–3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263–4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

SUPPLEMENTARY INFORMATION: On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board authority under the Paperwork Reduction Act (PRA) to approve and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board. In exercising this delegated authority, the Board is directed to take every reasonable step to solicit comment. In determining whether to approve a collection of information, the Board will consider all comments received from the public and other agencies.

Request for Comment on Information Collection Proposal

The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. Comments are invited on the following:

a. Whether the proposed collection of information is necessary for the proper performance of the Board's functions; including whether the information has practical utility;

b. The accuracy of the Board's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;

c. Ways to enhance the quality, utility, and clarity of the information to be collected;

d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and

e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Board should modify the proposal.

Proposal To Approve Under OMB Delegated Authority the Extension for Three Years, With Revision, of the Following Reports

1. Report title: Financial Statements for Holding Companies.

Agency form number: FR Y–9C, FR Y–9LP, FR Y–9SP, FR Y–9ES, and FR Y–9CS.

OMB control number: 7100–0128.

Frequency: Quarterly, semiannually, and annually.

Reporters: Bank holding companies, savings and loan holding companies, securities holding companies, and U.S.

Intermediate Holding Companies (collectively, holding companies (HCs)).

Estimated number of respondents: FR Y–9C (non-advanced approaches holding companies): 292; FR Y–9C (advanced approached holding companies): 18; FR Y–9LP: 338; FR Y–9SP: 4,238; FR Y–9ES: 82; FR Y–9CS: 236.

Estimated average hours per response: FR Y–9C (non-advanced approaches holding companies): 46.34 hours; FR Y–9C (advanced approached holding companies HCs): 47.59 hours; FR Y–9LP: 5.27 hours; FR Y–9SP: 5.40 hours; FR Y–9ES: 0.50 hours; FR Y–9CS: 0.50 hours.

Estimated annual burden hours: FR Y–9C (non-advanced approaches holding companies): 54,125 hours; FR Y–9C (advanced approached holding companies): 3,426 hours; FR Y–9LP: 7,125 hours; FR Y–9SP: 45,770; FR Y–9ES: 41 hours; FR Y–9CS: 472 hours.

General description of report: The FR Y–9C serves as standardized financial statements for the consolidated holding company. The FR Y–9 family of reporting forms continues to be the primary source of financial data on HCs that examiners rely on between on-site inspections. Financial data from these reporting forms is used to detect emerging financial problems, review performance, conduct pre-inspection analysis, monitor and evaluate capital adequacy, evaluate HC mergers and acquisitions, and analyze an HC's overall financial condition to ensure the safety and soundness of its operations. The Board requires HCs to provide standardized financial statements to fulfill the Board's statutory obligation to supervise these organizations. HCs file the FRY–9C on a quarterly basis, FR Y–9LP quarterly, and the FR Y–9SP semiannually, the FR Y–9ES annually, and the FR Y–9CS on a schedule that is determined when this supplement is used.

2. *Report title:* The Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations, Abbreviated Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations, and the Capital and Asset Report of Foreign Banking Organizations.

Agency form number: FR Y–7N, FR Y–7NS, and FR Y–7Q.

OMB control number: 7100–0125.

Frequency: Quarterly and annually.

Reporters: Foreign banking organizations (FBOs).

Number of respondents: FR Y–7N (quarterly): 35; FR Y–7N (annual): 19; FR Y–7NS: 22; FR Y–7Q (quarterly): 130; FR Y–7Q (annual): 29.

Estimated average hours per response: FR Y–7N (quarterly): 7.6 hours; FR Y–7N (annual): 7.6 hours; FR Y–7NS: 1 hour; FR Y–7Q (quarterly): 3 hours; FR Y–7Q (annual): 1.5 hours.

Estimated annual reporting hours: FR Y–7N (quarterly): 1,064 hours; FR Y–7N (annual): 144 hours; FR Y–7NS: 22 hours; FR Y–7Q (quarterly): 1,560 hours; FR Y–7Q (annual): 44 hours.

General description of report: The FR Y–7N and the FR Y–7NS are used to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with U.S. laws and regulations. FBOs file the FR Y–7N quarterly or annually or the FR Y–7NS annually predominantly based on asset size thresholds. The FR Y–7Q is used to assess consolidated regulatory capital and asset information from all FBOs. The FR Y–7Q is filed quarterly by FBOs that have effectively elected to become or be treated as a U.S. financial holding company (FHC) and by FBOs that have total consolidated assets of $50 billion or more, regardless of FHC status. All other FBOs file the FR Y–7Q annually.

3. Report title: Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates.

Agency form number: FR Y–8.

OMB control number: 7100–0126.

Frequency: Quarterly.

Estimated number of respondents: 933.

Estimated average hours per response: 7.8 hours.

Estimated annual burden hours: 29,110 hours.

General description of report: The FR Y–8 collects information on covered transactions between an insured depository institution and its affiliates that are subject to the quantitative limits and requirements of section 23A of the Federal Reserve Act and the Board's Regulation W (12 CFR Pt. 223). The FR Y–8 is filed quarterly by all U.S. top-tier bank holding companies (BHCs) and savings and loan holding companies (SLHCs), and by FBOs that directly own or control a U.S. subsidiary insured depository institution. If an FBO indirectly controls a U.S. insured depository institution through a U.S. holding company, the U.S. holding company must file the FR Y–8. A respondent must file a separate report for each U.S. insured depository institution it controls. The primary purpose of the data is to enhance the Board's ability to monitor the credit exposure of insured depository institutions to their affiliates and to ensure that insured depository institutions are in compliance with section 23A of the Federal Reserve Act and Regulation W. Section 23A of the Federal Reserve Act limits an insured depository institution's exposure to affiliated entities and helps to protect against the expansion of the federal safety net to uninsured entities.

4. Report title: Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies and the Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies.

Agency form number: FR Y–11 and FR Y–11S.

OMB control number: 7100–0244.

Frequency: Quarterly and annually.

Reporters: Domestic bank holding companies, savings and loan holding companies, securities holding companies, and intermediate holding companies (collectively, ''holding companies'').

Number of respondents: FR Y–11 (quarterly): 445; FR Y–11 (annual): 189; FR Y–11S: 273.

Estimated average hours per response: FR Y–11 (quarterly): 7.6; FR Y–11 (annual): 7.6; FR Y–11S: 1.

Estimated annual reporting hours: FR Y–11 (quarterly): 13,528 hours; FR Y–11 (annual): 1,436 hours; FR Y–11S: 273 hours.

General description of report: The FR Y–11 family of reports collects financial information for individual U.S. nonbank subsidiaries of domestic holding companies, which is essential for monitoring the subsidiaries' potential impact on the condition of the holding company or its subsidiary banks. Holding companies file the FR Y–11 on a quarterly or annual basis or the FR Y–11S on an annual basis, predominantly based on whether the organization meets certain asset size thresholds.

5. *Report title:* Domestic Finance Company Report of Consolidated Assets and Liabilities.

Agency form number: FR 2248.

OMB control number. 7100–0005.

Frequency: Monthly, Quarterly and Semi-annually.

Reporters: Domestic finance companies and mortgage companies.

Estimated number of respondents: 150.

Estimated average hours per response: Monthly: .33 hours; Quarterly: .50 hours; Addendum: 17 hours.

Estimated annual burden hours: Monthly, 400 hours; Quarterly, 300 hours; Addendum, 50 hours.

General description of report: The FR 2248 collects information on amounts outstanding in major categories of consumer and business credit held by finance companies and on major short-term liabilities of the finance

companies. For quarter-end months (March, June, September, and December) the report also collects information on other assets and liabilities outstanding as well as information on capital accounts in order to provide a full balance sheet. In addition, a supplemental section collects data about assets that have been pooled by finance companies and sold to third parties that issue securities based on those assets. The supplemental section is organized in the same four categories of credit (consumer, real estate, business, and lease-related). The special addendum section may be used if the need arises for the collection of timely information on questions of immediate concern to the Board. When necessary, respondents would be asked no more than twice a year to provide answers to a limited number of relevant questions, which would be distributed in advance to ease burden and which would take, on average, ten minutes to complete. This addendum provides the Board a valuable source of information regarding timely topics and events in financial markets.

6. Report title: Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations and the Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations.

Agency form number: FR 2314 and FR 2314S.

OMB control number: 7100–0073.

Frequency: Quarterly and annually.

Reporters: U.S. state member banks, BHCs, SLHCs, intermediate holding companies (IHCs), and Edge or agreement corporations.

Number of respondents: FR 2314 (quarterly): 439; FR 2314 (annual): 239; FR 2314S: 300.

Estimated average hours per response: FR 2314 (quarterly): 7.2 hours; FR 2314 (annual): 7.2 hours; FR 2314S: 1 hour.

Estimated annual reporting hours: FR 2314 (quarterly): 12,643 hours; FR 2314 (annual): 1,768 hours; FR 2314S: 300 hours.

General description of report: The FR 2314 family of reports is the only source of comprehensive and systematic data on the assets, liabilities, and earnings of the foreign nonbank subsidiaries of U.S. banking organizations, and the data are used to monitor the growth, profitability, and activities of these foreign companies. The data help the Board identify present and potential problems of these companies, monitor their activities in specific countries, and develop a better understanding of activities within the industry and within specific institutions. Parent organizations (state member banks (SMBs), Edge and agreement corporations, or holding companies) file the FR 2314 on a quarterly or annual basis, or the FR 2314S on an annual basis, predominantly based on whether the organization meets certain asset size thresholds.

7. Agency form number: FR 2320.

OMB control number: 7100–0345.

Frequency: Quarterly.

Reporters: SLHCs that are currently exempt from filing other Board regulatory reports.

Estimated number of respondents: 13.

Estimated average hours per response: 2.5 hours.

Estimated annual burden hours: 130 hours.

General description of report: The FR 2320 collects select parent only and consolidated balance sheet and income statement financial data and organizational structure data from SLHCs that are currently exempt from filing other Board regulatory reports (exempt SLHCs). The FR 2320 is used by the Board to analyze the overall financial condition of exempt SLHCs to ensure safe and sound operations. These data assist the Board in the evaluation of a diversified holding company and in determining whether an institution is in compliance with applicable laws and regulations.

8. Report title: Weekly Report of Selected Assets and Liabilities of Domestically Chartered Commercial Banks and U.S. Branches and Agencies of Foreign Banks.

Agency form number: FR 2644.

OMB control number: 7100–0075.

Respondents: Domestically chartered commercial banks and U.S. branches and agencies of foreign banks.

Estimated number of respondents: 875.

Estimated average hours per response: 2.35 hours.

Estimated annual burden hours: 106,925 hours.

General description of report: The FR 2644 is a balance sheet report that is collected as of each Wednesday from an authorized stratified sample of 875 domestically chartered commercial banks and U.S. branches and agencies of foreign banks. The FR 2644 is the only source of high-frequency data used in the analysis of current banking developments. The FR 2644 collects sample data that are used to estimate universe levels using data from the quarterly commercial bank Consolidated Reports of Condition and Income (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100–0036) and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100–0032) (Call Reports). Data from the FR 2644, together with data from other sources, are used to construct weekly estimates of bank credit, balance sheet data for the U.S. banking industry, sources and uses of banks' funds, and to analyze current banking and monetary developments. The Board publishes the data in aggregate form in the weekly H.8 statistical release, Assets and Liabilities of Commercial Banks in the United States, which is followed closely by other government agencies, the banking industry, the financial press, and other users. The H.8 release provides a balance sheet for the banking industry as a whole and data disaggregated by its large domestic, small domestic, and foreign-related bank components.

9. Report title: Consolidated Report of Condition and Income for Edge and Agreement Corporations.

Agency form number: FR 2886b.

OMB control number: 7100–0086.

Frequency: Quarterly.

Reporters: Edge and agreement corporations and investment (nonbanking) Edge and agreement corporations.

Number of respondents: Banking: Edge and agreement corporations (quarterly): 9; Banking: Edge and agreement corporations (annually): 1; Investment: Edge and agreement corporations (quarterly): 21; Investment: Edge and agreement corporations (annually): 7.

Estimated average hours per response: Banking: Edge and agreement corporations (quarterly): 15.77; Banking: Edge and agreement corporations (annually): 15.87; Investment: Edge and agreement corporations (quarterly): 11.81; Investment: Edge and agreement corporations (annually): 10.82

Estimated annual reporting hours: Banking: Edge and agreement corporations (quarterly): 568; Banking: Edge and agreement corporations (annually): 16; Investment: Edge and agreement corporations (quarterly): 922; Investment: Edge and agreement corporations (annually): 76.

General description of report: The FR 2886b reporting form is filed quarterly and annually by banking Edge and agreement corporations and investment (nonbanking) Edge and agreement corporations (collectively, ''Edges or Edge corporations''). The mandatory FR 2886b comprises an income statement with two schedules reconciling changes in capital and reserve accounts and a balance sheet with 11 supporting schedules. Other than examination reports, it provides the only financial data available for these corporations. The Board is solely responsible for authorizing, supervising, and assigning

ratings to Edges. The Board uses the data collected on the FR 2886b to identify present and potential problems and monitor and develop a better understanding of activities within the industry.

Proposed Revisions:

The Board proposes to (1) implement changes to address the revised accounting standards for the adoption of the current expected credit loss (CECL) methodology across all of the reports, (2) extend for three years through the normal delegated review process certain revisions to the FR Y–9C that the Board previously approved on a temporary basis [1] in order to implement changes consistent with Section 214 and Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) pertaining to the risk-weighting of HVCRE exposures and the treatment of reciprocal deposits, (3) clarify reporting of unrealized holding gains and losses on equity securities on the FR Y–9C report, and (4) make several revisions to the FR 2886b report, including updating references to applicable capital requirements, revising the eligibility criteria for reporting the trading schedule and implement changes pertaining to the accounting treatment of equity securities.

The proposed reporting changes related to CECL are tied to the revisions proposed in the CECL notice of proposed rulemaking (the CECL NPR) [2] by the Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (collectively, the agencies) to revise their regulatory capital rules related to the implementation and capital transition for CECL and to the corresponding proposed CECL revisions to the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100–0036).[3] To the extent the agencies alter proposed elements of the CECL NPR or the Call Report CECL proposal, the Board would make any necessary corresponding adjustments to the proposed CECL reporting revisions for the reports outlined in this notice prior to final approval of this proposal.

The effective dates for adopting CECL vary depending on whether a firm is a public business entity (PBE), a Securities and Exchange Commission (SEC) report filer, or an early adopter. For institutions that are PBEs and also are SEC filers, as both terms are defined in U.S. generally accepted accounting principles (U.S. GAAP), the new credit losses standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For a PBE that is not an SEC filer, the credit losses standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. For an institution that is not a PBE, the credit losses standard is effective for fiscal years beginning after December 15, 2020, and for interim period financial statements for fiscal years beginning after December 15, 2021. For regulatory reporting purposes, early application of the new credit losses standard will be permitted for all institutions for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. See Appendix A for more details surrounding CECL adoption by entity type, as well as the table summarizing the possible effective dates.[4]

Due to the different effective dates for ASU 2016–13, the period over which institutions may be implementing this ASU ranges from the first quarter of 2019 through the fourth quarter of 2022. December 31, 2022, will be the first quarter-end of which all institutions would be required to prepare their reports in accordance with ASU 2016–13. It is expected that the majority of institutions will implement the standard in the first or fourth quarter of 2021. Schedule titles or specific data item captions resulting from the change in nomenclature upon the adoption of CECL generally would not be reflected in the reporting forms until March 31, 2021, as outlined in the following schedule-by-schedule descriptions of the proposed changes to the affected reporting schedules.

Because of the staggered adoption dates, the Board proposes to implement the CECL revisions in stages. First, the Board would revise the reporting form and instructions, add data items and schedules for certain impacted reports effective for March 31, 2019. The changes would include guidance stating how institutions that have adopted ASU–2016–13 would report the data items related to the ''provision for credit losses'' and ''allowance for credit losses, as applicable. Next, for the transition period from March 31, 2021, through December 31, 2022, the reporting form and instructions for each impacted schedule title or data item would be updated to include guidance stating how institutions that have not adopted ASU 2016–13 would report the ''provision for loan and lease losses'' or the ''allowance for loan and lease losses,'' as applicable. The table below summarizes the effective dates for the 2019 and 2021 proposed CECL revisions.

Report	Add items, add, footnotes and or revise instructions	Revise item captions
FR 2644	03/27/2019	01/06/2021
FR 2248	03/31/2019	01/31/2021
FR 2320	03/31/2019	.....
FR Y–8	03/31/2019	.....
FR Y–9C	03/31/2019	03/31/2021
FR Y–9LP	03/31/2019	03/31/2021
FR 2314/S	03/31/2019	03/31/2021
FR Y–11/S	03/31/2019	03/31/2021
FR 2886b	03/31/2019	03/31/2021
FR Y–7N/NS	03/31/2019	03/31/2021
FR Y–9SP	06/30/2019	06/30/2021

[1] See 83 FR 48990 (September 28, 2018).

[2] See 83 FR 22312 (May 14, 2018).

[3] See 83 FR 49160 (September 28, 2018).

[4] See CECL FAQs, question 36, for examples of how and when institutions with non-calendar fiscal years must incorporate the new credit losses standard into their regulatory reports. The CECL FAQs and a related link to the joint statement can be found on the Board's website: *https://www.federalreserve.gov/supervisionreg/srletters/sr1708a1.pdf.*

The proposed non-CECL related revisions to the FR Y–9C and FR 2886b reports would be effective for the March 31, 2019, report date.

1. Proposed CECL Revisions—ASU 2016–13

In June 2016, the Financial Accounting Standard Board (FASB) issued ASU 2016–13, which introduced the CECL methodology for estimating allowances for credit losses and added Topic 326, Credit Losses, to the Accounting Standards Codification (ASC). The new credit losses standard changes several aspects of existing U.S. GAAP, such as introducing a new credit loss methodology, reducing the number of credit impairment models, replacing the concept of purchased credit-impaired (PCI) assets with that of purchased credit-deteriorated (PCD) financial assets, and changing the impairment treatment for available-for-sale (AFS) securities. See Appendix B for more details on each of these U.S. GAAP changes as a result of ASU 2016–13.

The Board is proposing revisions to all regulatory reports listed in this document in response to ASU 2016–13 in order to align the information reported with the new standard as it relates to the credit losses for loans and leases, including off-balance sheet credit exposures. These revisions address the broadening of the scope of financial assets for which an allowance for credit losses assessment must be established and maintained, along with the elimination of the existing model for PCI assets. The revisions for the FR Y–9C are described in detail, mostly on a schedule-by-schedule basis in the Detailed discussion of Proposed Revisions. The CECL revisions to all the other reports will mirror the revisions to the FR Y–9C, where applicable.

CECL is applicable to all financial instruments carried at amortized cost (including loans held for investment (HFI) and held to maturity (HTM) debt securities as well as trade and reinsurance receivables and receivables that relate to repurchase agreements and securities lending agreements), net investments in leases, and off-balance-sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credit, and financial guarantees. Under ASU 2016–13, institutions will record credit losses through an allowance for credit losses for AFS debt securities rather than as a write-down through earnings for other-than-temporary impairment (OTTI). The broader scope of financial assets for which allowances must be estimated under ASU 2016–13 results in the proposed reporting of additional allowances, and related charge-off and recovery data and proposed changes to the terminology used to describe allowances for credit losses. To address the broader scope of assets that will have allowances under ASU 2016–13, the Board proposes to change the allowance nomenclature to consistently use ''allowance for credit losses'' followed by the specific asset type as relevant, *e.g.,* ''allowance for credit losses on loans and leases'' and ''allowance for credit losses on HTM debt securities.

By broadening the scope of financial assets for which the need for allowances for credit losses must be assessed to include HTM and AFS debt securities, the new standard eliminates the existing OTTI model for such securities. Subsequent to a firm's adoption of ASU 2016–13, the concept of OTTI will no longer be relevant and information on OTTI will no longer be captured.

The new standard also eliminates the separate impairment model for PCI loans and debt securities. Under CECL, credit losses on PCD financial assets are subject to the same credit loss measurement standard as all other financial assets carried at amortized cost. Subsequent to an institution's adoption of ASU 2016–13, information on PCI loans will no longer be captured.

While the standard generally does not change the scope of off-balance sheet credit exposures subject to an allowance for credit loss assessment, the standard does change the period over which the firm should estimate expected credit losses. For off-balance sheet credit exposures, a firm will estimate expected credit losses over the contractual period in which they are exposed to credit risk. For the period of exposure, the estimate of expected credit losses should consider both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance sheet exposure. In contrast to the existing practices, the FASB decided that no credit losses should be recognized for off-balance sheet credit exposures that are unconditionally cancellable by the issuer. The exclusion of unconditionally cancellable commitments from the allowance for credit losses assessment on off-balance sheet credit exposures requires clarification to applicable reporting instructions.

As of the new accounting standard's effective date, institutions will apply the standard based on the characteristics of financial assets as follows:

• *Financial assets carried at amortized cost (that are not PCD assets) and net investments in leases:* A cumulative-effect adjustment for the changes in the allowances for credit losses will be recognized in retained earnings, net of applicable taxes, as of the beginning of the first reporting period in which the new standard is adopted. The cumulative-effect adjustment to retained earnings should be reported in FR Y–9C Schedule HI–A, item 2, ''Cumulative effect of changes in accounting principles and corrections of material accounting errors,'' and explained in Notes to the Income Statement for which a preprinted caption, ''Adoption of Current Expected Credit Losses Methodology—ASC Topic 326,'' will be provided in the text field for this item.

• *Purchased credit-deteriorated financial assets:* Financial assets classified as PCI assets prior to the effective date of the new standard will be classified as PCD assets as of the effective date. For all financial assets designated as PCD assets as of the effective date, an institution will be required to gross up the balance sheet amount of the financial asset by the amount of its allowance for expected credit losses as of the effective date, resulting in an adjustment to the amortized cost basis of the asset to reflect the addition of the allowance for credit losses as of that date. For loans held for investment and HTM debt securities, this allowance gross-up as of the effective date of ASU 2016–13 should be reported in the appropriate columns of Schedule HI–B, Part II, item 6, ''Adjustments,'' and should be explained in the Notes to the Income Statement for which a preprinted caption, ''Effect of adoption of current expected credit losses methodology on allowances for credit losses on loans and leases held for investment and held-to-maturity debt securities,'' will be provided in the text field for this item. Subsequent changes in the allowance for credit losses on PCD financial assets will be recognized by charges or credits to earnings through the provision for credit losses. The institution will continue to accrete the noncredit discount or premium to interest income based on the effective interest rate on the PCD financial assets determined after the gross-up for the CECL allowance as of the effective date of adoption, except for PCD financial assists in nonaccrual status.

• *AFS and HTM debt securities:* A debt security on which OTTI had been recognized prior to the effective date of the new standard will transition to the new guidance prospectively (*i.e.,* with no change in the amortized cost basis of the security). The effective interest rate

on such a debt security before the adoption date will be retained and locked in. Amounts previously recognized in accumulated other comprehensive income related to cash flow improvements will continue to be accreted to interest income over the remaining life of the debt security on a level-yield basis. Recoveries of amounts previously written off relating to improvements in cash flows after the date of adoption will be recognized in income in the period received.

Schedule HI

To address the broader scope of financial assets for which a provision will be calculated under ASU 2016–13, the Board proposes to revise Schedule HI, item 4, from ''Provision for loan and lease losses'' to ''Provision for Credit losses on financial assets,'' effective March 31, 2021. To address the elimination of the concept of OTTI by ASU 2016–13, effective December 31, 2022, the Board proposes to remove Schedule HI, Memorandum item 17, ''Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities recognized in earnings.'' Under the new standard, institutions will recognize credit losses on HTM and AFS debt securities through an allowance for credit losses, and the Board proposes to collect information on the allowance for credit losses on these two categories of debt securities in Schedule HI–B as discussed below. From March 31, 2019, through September 30, 2022, the report form and instructions for Memorandum item 17 will include guidance stating that Memorandum item 17 is to be completed only by institutions that have not adopted ASU 2016–13.

Schedule HI–B

To address the broader scope of financial assets for which allowances will be calculated under ASU 2016–13 and for which charge-offs and recoveries will be applicable, the Board proposes to change the title of Schedule HI–B effective March 31, 2021, from ''Charge-offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses'' to ''Charge-offs and Recoveries on Loans and Leases and Changes in Allowance for Credit Losses.''

In addition, effective March 31, 2021, to address the change in allowance nomenclature arising from the broader scope of allowances under ASU 2016–13, the Board proposes to revise Schedule HI–B, Part I, Memorandum item 4, from ''Uncollectible retail credit card fees and finance charges reversed against income (*i.e.,* not included in charge-offs against the allowance for loan and lease losses)'' to ''Uncollectible retail credit card fees and finance charges reversed against income (*i.e.,* not included in charge-offs against the allowance for credit losses on loans and leases).''

To further address the broader scope of financial assets for which allowances will be calculated under ASU 2016–13, the Board proposes to revise Schedule HI–B, Part II, to also include changes in the allowances for credit losses on HTM and AFS debt securities. Effective March 31, 2019, the Board proposes to change the title of Schedule HI–B, Part II, from ''Changes in Allowance for Loan and Lease Losses'' to ''Changes in Allowances for Credit Losses.''

In addition, effective March 31, 2019, Schedule HI–B, Part II, would be expanded from one column to a table with three columns titled:

- Column A: Loans and leases held for investment
- Column B: Held-to-maturity debt securities
- Column C: Available-for-sale debt securities

From March 31, 2019, through September 30, 2022, the reporting form and the instructions for Schedule HI–B, Part II, would include guidance stating that Columns B and C are to be completed only by institutions that have adopted ASU 2016–13.

In addition, effective March 31, 2019, Schedule HI–B, Part II, item 4, will be revised from ''Less: Write-downs arising from transfers of loans to a held-for-sale account'' to ''Less: Write-downs arising from transfers of financial assets'' to capture changes in allowances from transfers of loans from held-to-investment to held-for-sale and from transfers of securities between categories, *e.g.,* from the AFS to the HTM category. Further, effective March 31, 2019, Schedule HI–B, Part II, item 5, will be revised from ''Provision for loan and lease losses'' to ''Provision for credit losses'' to capture the broader scope of financial assets included in the schedule.

Effective March 31, 2019, or the first quarter in which a holding company reports its adoption of ASU 2016–13, whichever is later, Schedule HI–B, Part II, item 6, ''Adjustments,'' would be used to capture the initial impact of applying ASU 2016–13 as of the effective date in the period of adoption as well as the initial allowance gross-up for PCD assets as of the effective date. Item 6 also would be used to report the allowance gross-up upon the acquisition of PCD assets on or after the effective date. These adjustments would be explained in items for which preprinted captions would be provided in the text fields on the Notes to the Income Statement, as proposed below.

In the memorandum section of Schedule HI–B, Part II, to address the change in allowance nomenclature arising from the broader scope of allowances under ASU 2016–13 the Board proposes to revise the caption for Memorandum item 3, effective March 31, 2021, from ''Amount of allowance for loan and lease losses attributable to retail credit card fees and finance charges'' to ''Amount of allowance for credit losses on loans and leases attributable to retail credit card fees and finance charges.'' Also, in the memorandum section of Schedule HI–B, Part II, effective December 31, 2022, the Board proposes to remove existing Memorandum item 4, ''Amount of allowance for post-acquisition credit losses on purchased credit impaired loans accounted for in accordance with AICPA Statement of Position 03–3'' as ASU 2016–13 eliminates the concept of PCI loans and the separate credit impairment model for such loans. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule HI–B, Part II, Memorandum item 4, would specify that this item should be completed only by institutions that have not yet adopted ASU 2016–13.

Given that the scope of ASU 2016–13 is broader than the three financial asset types proposed to be included in the table in Schedule HI–B, Part II, effective March 31, 2019, the Board proposes to also add new Memorandum item 5, ''Provisions for credit losses on other financial assets carried at amortized cost,'' and Memorandum item 6, ''Allowance for credit losses on other financial assets carried at amortized cost,'' to Schedule HI–B, Part II, at the same time. For purposes of Memorandum items 5 and 6, other financial assets would include all financial assets measured at amortized cost other than loans and leases held for investment and HTM debt securities. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule HI–B, Part II, would include guidance stating that Memorandum items 5 and 6 are to be completed only by institutions that have adopted ASU 2016–13.

Schedule HI–C

Schedule HI–C currently requests allowance information for specific categories of loans held for investment that is disaggregated on the basis of three separate credit impairment models, and the amounts of the related

recorded investments, from institutions with $1 billion or more in total assets. ASU 2016–13 eliminates these separate credit impairment models and replaces them with CECL for all financial assets measured at amortized cost. As a result of this change, effective March 31, 2021, the Board proposes to change the title of Schedule HI–C from ''Disaggregated Data on the Allowance for Loan and Lease Losses'' to ''Disaggregated Data on Allowances for Credit Losses.''

To capture disaggregated data on allowances for credit losses from institutions that have adopted ASU 2016–13, the Board proposes to create Schedule HI–C, Part II, ''Disaggregated Data on Allowances for Credit Losses,'' effective March 31, 2019. The existing table in Schedule HI–C, which includes items 1 through 6 and columns A through F, would be renamed ''Part I. Disaggregated Data on the Allowance for Loan and Lease Losses.'' From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule HI–C, Part I, would include guidance stating that only those institutions that have not adopted ASU 2016–13 should complete Schedule HI–C, Part I.

The proposed Part II of this schedule would contain the six loan portfolio categories and the unallocated category for which data are currently collected in existing Schedule HI–C along with the following portfolio categories for which allowance information would begin to be reported for HTM debt securities:

1. Securities issued by states and political subdivisions in the U.S.
2. Mortgage-backed securities (MBS) (including collateralized mortgage obligations, real estate mortgage investment conduit, and stripped MBS).
   a. Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies.
   b. Other mortgage-backed securities.
3. Asset-backed securities and structured financial products.
4. Other debt securities.
5. Total.

For each category of loans in Part II of Schedule HI–C, institutions would report the amortized cost and the allowance balance in Columns A and B, respectively. The amortized cost amounts to be reported would exclude the accrued interest receivable that is reported in ''Other assets'' on the balance sheet. For each category of HTM debt securities in Part II of Schedule HI–C, institutions would report the allowance balance. The amortized cost and allowance information on loans and the allowance information on HTM debt securities would be reported quarterly and would be completed only by institutions with $1 billion or more in total assets, as is currently done with existing Part I of Schedule HI–C.

The Board will use the securities-related information gathered in proposed Part II of the schedule to monitor the allowance levels for the categories of HTM debt securities specified above. Further, with the proposed removal of FR Y–9C item for OTTI losses recognized in earnings (Schedule HI, Memorandum item 17), proposed Schedule HI–C, Part II, will become another source of information regarding credit losses of HTM debt securities, in addition to data proposed to be reported in Schedule HI–B, Part II. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule HI–C, Part II, would include guidance stating that only those institutions with $1 billion or more in total assets that have adopted ASU 2016–13 should complete Schedule HI–C, Part II.

In addition, effective December 31, 2022, the Board proposes to remove the existing Schedule HI–C, Part I. Schedule HI–C, Part II, would then be the only table remaining within this schedule and the ''Part II'' designation would be removed.

Notes to the Income Statement-Predecessor Financial Items

Effective March 31, 2021, the Board proposes to address the broader scope of financial assets for which a provision will be calculated under ASU 2016–13. From March 31, 2019, through September 30, 2022, the reporting form and instructions for line item 4, ''Provision for loan and lease losses,'' would include guidance that only institutions that have adopted ASU 2016–13 should report the provision for credit losses in this item. Effective March 31, 2021, the Board proposes to revise line item 4 from ''Provision for Loan and Lease losses'' to ''Provision for Credit Losses.''

Notes to the Income Statement

Effective March 31, 2019, the Board proposes to add a preprinted caption to the text field that would be titled ''Adoption of Current Expected Credit Losses Methodology—ASC Topic 326.'' Institutions will use this item to report the cumulative-effect adjustment (net of applicable income taxes) recognized in retained earnings for the changes in the allowances for credit losses on financial assets and off-balance sheet credit exposures as of the beginning of the fiscal year in which the institution adopts ASU 2016–13. Providing a preprinted caption for this data item, rather than allowing each holding company to enter its own description for this cumulative-effect adjustment, will enhance the Board's ability to compare the impact of the adoption of ASU 2016–13 across institutions. From March 31, 2019, through December 31, 2022, the reporting form and instructions for Notes to the Income Statement, would specify that this item is to be completed only in the quarter-end FR Y–9C for the remainder of the calendar year in which a holding company adopts ASU 2016–13. The Board anticipates that this preprinted caption would be removed after all holding companies have adopted ASU 2016–13.

To address the broader scope of financial assets for which an allowance will be maintained under ASU 2016–13, effective March 31, 2019, the Board proposes to add two preprinted captions to the text field that would be titled ''Initial allowances for credit losses recognized upon the acquisition of purchased deteriorated assets on or after the effective date of ASU 2016–13'' and ''Effect of adoption of current expected credit losses methodology on allowances for credit losses on loans and leases held for investment and held-to-maturity debt securities.'' The latter of these preprinted captions would be used to capture the change in the amount of allowances from initially applying ASU 2016–13 on these two categories of assets as of the effective date of the accounting standard in the period of adoption, including the initial gross-up for any PCD assets held as of the effective date. From March 31, 2019, through September 30, 2022, the reporting form and instructions would specify that these items are to be completed only by holding companies that have adopted ASU 2016–13 and, for the latter preprinted caption, only in the quarter-end FR Y–9C report for the remainder of the calendar year in which an institution adopts ASU 2016–13. The Board anticipates the latter preprinted caption would be removed after all institutions have adopted ASU 2016–13.

Schedule HC

To address the broader scope of financial assets for which allowances will be estimated under ASU 2016–13, the Board proposes revisions to the reporting form and instructions to specify which assets should be reported net of an allowance for credit losses on the balance sheet and which asset categories should be reported gross of such an allowance. The Board determined that the only financial asset category for which separate (*i.e.,* gross)

reporting of the amortized cost [5] and the allowance is needed on Schedule HC continues to be item 4.b, ''Loans and leases held for investment,'' because of the large relative size and importance of these assets and their related allowances to the overall balance sheet for most institutions. For other financial assets within the scope of CECL, the Board proposes that holding companies report these assets at amortized cost [6] net of the related allowance for credit losses on Schedule HC.

Effective March 31, 2021, the Board proposes to revise Schedule HC, item 2.a, from ''Held-to-maturity securities'' to ''Held-to-maturity securities, net of allowance for credit losses.'' From March 31, 2019, through December 31, 2020, the Board proposes to add a footnote to Schedule HC, item 2.a, specifying that holding companies should ''report this amount net of any applicable allowance for credit losses.'' Additionally, for Schedule HC, item 3.b, ''Securities purchased under agreements to resell,'' and Schedule HC, item 11, ''Other assets,'' effective March 31, 2019, the Board proposes to add a footnote to these items specifying that holding companies should ''report this amount net of any applicable allowance for credit losses.'' From March 31, 2019, through September 30, 2022, the reporting form and the instructions for Schedule HC, items 2.a, 3.b, and 11, would specify that reporting such items net of any related allowances for credit losses is applicable only to those institutions that have adopted ASU 2016–13. Given that AFS debt securities are carried on Schedule HC at fair value, the Board is not proposing any changes to Schedule HC, item 2.b, ''Available-for-sale securities,'' and instead propose reporting allowances for credit losses on AFS debt securities only in Schedule HI–B, Part II.

In addition, to address the change in allowance nomenclature arising from the broader scope of allowances under ASU 2016–13, the Board proposes to revise Schedule HC, item 4.c, from ''LESS: Allowance for loan and lease losses'' to ''LESS: Allowance for credit losses on loans and leases'' effective March 31, 2021. Effective March 31, 2019, the Board proposes to add a footnote to this item specifying that institutions who have adopted ASU 2016–13 should report the allowance for credit losses on loans and leases in this item.

Schedule HC–B

Effective March 31, 2019, the Board proposes to revise the instructions to Schedule HC–B to clarify that for institutions that have adopted ASU 2016–13, allowances for credit losses should not be deducted from the amortized cost amounts reported in columns A and C of this schedule.[7] In other words, institutions should continue reporting the amortized cost of HTM and AFS debt securities in these two columns of Schedule HC–B gross of their related allowances for credit losses.

Schedule HC–C

Effective March 31, 2021, to address the change in allowance nomenclature, the Board proposes to revise the reporting form and the instructions for Schedule HC–C by replacing references to the allowance for loan and lease losses in statements indicating that the allowance should not be deducted from loans and leases in this schedule with references to the allowance for credit losses. Thus, loans and leases will continue to be reported gross of any allowances or allocated transfer risk reserve in Schedule HC–C.

In addition, to address the elimination of PCI assets by ASU 2016–13, the Board proposes to remove Schedule HC–C, Part I, Memorandum items 5.a and 5.b, in which institutions report the outstanding balance and balance sheet amount, respectively, of PCI loans held for investment effective December 31, 2022. The agencies determined that these items were not needed after the transition to PCD loans under ASU 2016–13 because the ASU eliminates the separate credit impairment model for PCI loans and applies CECL to all loans held for investment measured at amortized cost. From March 31, 2019, through September 30, 2022, the reporting form and the instructions for Schedule HC–C, Memorandum items 5.a and 5.b, would specify that these items should be completed only by institutions that have not yet adopted ASU 2016–13.

Additionally, since ASU 2016–13 supersedes ASC 310–30, the Board proposes to revise Schedule HC–C, Memorandum item 12, ''Loans (not subject to the requirements of the American Institute of Certified Public Accountants (AICPA) Statement of Position 03–3) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year,'' effective December 31, 2022. As revised, the loans held for investment to be reported in Memorandum item 12 would be those not considered purchased credit deteriorated per ASC 326. From March 31, 2019, through September 30, 2022, the Board proposes to revise the reporting form and the instructions for Schedule HC–C, by adding a statement explaining that, subsequent to adoption of ASU 2016–13, a holding company should report only loans held for investment not considered purchased credit deteriorated per ASC 326 in Schedule HC–C, Memorandum item 12.

Schedule HC–F

To address the broader scope of financial assets for which an allowance will be applicable under ASU 2016–13, the Board proposes to specify that assets within the scope of the ASU that are included in Schedule HC–F should be reported net of any applicable allowances for credit losses. Effective March 31, 2019, the Board proposes to revise the reporting form and the instructions for Schedule HC–F by adding a statement explaining that, subsequent to adoption of ASU 2016–13, a holding company should report asset amounts in Schedule HC–F net of any applicable allowances for credit losses.

In addition, effective March 31, 2019, the Board is proposing to add a footnote to item 1, ''Accrued interest receivable'' on the reporting form and a statement to the instructions for item 1 that specifies that holding companies should exclude from this item any accrued interest receivables that is reported elsewhere on the balance sheet as part of the related financial asset's amortized cost.

Schedule HC–G

To address ASU 2016–13's exclusion of off-balance sheet credit exposures that are unconditionally cancellable from the scope of off-balance sheet credit exposures for which allowances for credit losses should be measured, the Board proposes to revise the reporting form and instructions for Schedule HC–G, item 3, ''Allowance for credit losses on off-balance-sheet credit exposures,'' effective March 31, 2019. As revised, the reporting form and instructions would state that holding companies that have adopted ASU 2016–13 should report in item 3 the allowance for credit losses on those off-balance sheet credit exposures that are not unconditionally cancellable.

[5] Amortized cost amounts to be reported by asset category would exclude any accrued interest receivable on assets in that category that is reported in ''Other assets'' on the balance sheet.

[6] See footnote 2.

[7] Amortized cost amounts to be reported by securities category in Schedule HC–B would exclude any accrued interest receivable on the securities in that category that is reported in ''Other assets'' on the balance sheet.

Schedule HC–K

Effective March 31, 2019, the Board proposes to revise the instructions to Schedule HC–K to clarify that, for institutions that have adopted ASU 2016–13, allowances for credit losses should not be deducted from the related amortized cost amounts when calculating the quarterly averages for all debt securities.

Schedule HC–N

To address the elimination of PCI assets by ASU 2016–13, the Board proposes to remove Schedule HC–N, Memorandum items 9.a and 9.b, in which institutions report the outstanding balance and balance sheet amount, respectively, of past due and nonaccrual PCI loans effective December 31, 2022. The Board determined that these items were not needed for PCD loans under ASU 2016–13 given that the ASU eliminates the separate credit impairment model for PCI loans and applies CECL to PCD loans and all other loans held for investment measured at amortized cost. From March 31, 2019, through September 30, 2022, the reporting form and the instructions for Schedule HC–N, Memorandum items 9.a and 9.b, would specify that these items should be completed only by holding companies that have not yet adopted ASU 2016–13.

Schedule HC–R

In connection with the agencies' recently issued proposed rule on implementation of CECL and related transition for regulatory capital (CECL NPR),[8] the Board is proposing a number of revisions to Schedule HC–R to incorporate new terminology and the proposed optional regulatory capital transition. The proposed reporting changes to Schedule HC–R are tied to the revisions proposed in the CECL NPR. To the extent the Agencies revise the proposed elements of the CECL NPR when issuing a final rule, the Board would make any necessary corresponding adjustments to the proposed reporting revisions. Unless otherwise indicated, the proposed revisions to Schedule HC–R discussed below would take effect March 31, 2019, (or the first quarter-end report date thereafter following the effective date on any final rule) and would apply to those institutions that have adopted CECL.

The CECL NPR would introduce a newly defined regulatory capital term, allowance for credit losses (ACL), which would replace allowance for loan and lease losses (ALLL), as defined under the capital rules, for holding companies that adopt CECL. The CECL NPR also proposes that credit loss allowances for PCD assets held by these holding companies would be netted when determining the carrying value, as defined in the CECL NPR, and, therefore, only the resulting net amount would be subject to risk-weighting. In addition, under the CECL NPR, the agencies are proposing to provide institutions the option to phase in over a three-year period beginning with the institution's CECL effective date the day-one regulatory capital effects that may result from the adoption of ASU 2016–13.[9]

Allowances for Credit Losses Definition and Treatment of Purchase Credit Deteriorated Assets

In general, under the CECL NPR, holding companies that have adopted CECL would report ACL amounts in Schedule HC–R items instead of ALLL amounts that are currently reported. Effective December 31, 2022, the Board is proposing to remove references to ALLL and replace them with references to ACL on the reporting form for Schedule HC–R. From March 31, 2019, through September 30, 2022, the Board is proposing to revise the instructions to Schedule HC–R to direct institutions that have adopted CECL to use ACL instead of ALLL in calculating regulatory capital. The instructional revisions would affect Schedule HC–R, Part I. Regulatory Capital Components and Ratios, item 30.a, ''Allowance for loan and lease losses includable in tier 2 capital,'' and Schedule HC–R, Part II. Risk-Weighted Assets, items 6, ''LESS: Allowance for loan and lease losses,'' 26, ''Risk-weighted assets for purposes of calculating the allowance for loan and lease losses 1.25 percent threshold,'' 28, ''Risk-weighted assets before deductions for excess allowance of loan and lease losses and allocated risk transfer risk reserve,'' and 29, ''LESS: Excess allowance for loan and lease losses.''

In addition, under the CECL NPR, assets and off-balance sheet credit exposures for which any related credit loss allowances are eligible for inclusion in regulatory capital would be calculated and reported in Schedule HC–R Part II. Risk-Weighted Assets on a gross basis. Therefore, the Board is proposing to revise the instructions for Schedule HC–R, Part II. Risk-Weighted Assets, items 2.a, ''Held-to-maturity securities''; 3.b., ''Securities purchased under agreements to resell''; 5.a., ''Residential mortgage exposures'' held for investment; 5.b, ''High volatility commercial real estate exposures'' held for investment; 5.c, Held-for-investment ''Exposures past 90 days or more or on nonaccrual''; 5.d, ''All other exposures'' held for investment; 8, ''All other assets,'' and 9.a, ''On-balance sheet securitization exposures: Held-to-maturity securities''; to explain that holding companies that have adopted CECL should report and risk-weight their loans and leases held for investment, HTM securities, and other financial assets measured at amortized cost gross of their credit loss allowances, but net of the associated allowances on PCD assets.[10]

In addition, effective March 31, 2019, the Board proposes to add a new Memorandum item 5 to, Schedule HC–R, Part II that would collect data by asset category on the ''Amount of allowances for credit losses on purchased credit-deteriorated assets.'' The amount of such allowances for credit losses would be reported separately for ''Loans and leases held for investment'' in Memorandum item 5.a, ''Held-to-maturity debt securities'' in Memorandum item 5.b, and, ''Other financial assets measured at amortized cost'' in Memorandum item 5.c. The instructions for Schedule HC–R, Part II, Memorandum item 5, would specify that these items should be completed only by holding companies that have adopted ASU 2016–13.

The Board also would include footnotes for the affected items on the forms to highlight the revised treatment of those items for institutions that have adopted CECL.

CECL Transition Provision

Under the CECL NPR, a holding company that experiences a reduction in retained earnings as of the effective date of CECL for the holding company as a result of the holding company's adoption of CECL may elect to phase in the regulatory capital impact of adopting CECL (electing institution). As described in the CECL NPR, an electing

[8] See 83 FR 22313 (May 14, 2018).

[9] A non-PBE with a calendar year fiscal year that does not early adopt CECL would first report under CECL as of December 31, 2021, even though the non-PBE's CECL effective date is January 1, 2021. Thus, under the CECL NPR, such a non-PBE would use the phase-in percentage applicable to the first year of the three-year transition period only for the December 31, 2021, report date (*i.e.,* one quarter), not the four quarters that begin with the first report under CECL. The non-PBE may use the applicable phase-in percentages for all four quarters of the second and third years after the CECL effective date (*i.e.,* 2022 and 2023). The same principle would apply to the optional phase-in by a non-PBE with a non-calendar fiscal year.

[10] Amortized cost amounts to be reported by asset category in Schedule RC–R, Part II, would exclude any accrued interest receivable on assets in that category that is reported in ''Other assets'' on the Call Report balance sheet.

holding company would indicate in its FR Y–9C report whether it has elected to use the CECL transition provision beginning in the quarter that it first reports its credit loss allowances as measured under CECL. To identify which holding companies are electing holding companies, the Board is proposing to revise Schedule HC–R, Part I, Regulatory Capital Components and Ratios, by adding a new item 2.a in which a holding company that has adopted CECL would report whether it has or does not have a CECL transition election in effect as of the quarter-end report date. Each institution would complete item 2.a beginning in the FR Y–9C for its first reporting under CECL and in each subsequent FR Y–9C report thereafter until item 2.a is removed from the report. Until an institution has adopted CECL, it would leave item 2.a blank. Effective March 31, 2025, the Board proposes to remove item 2.a from Schedule HC–R, Part I, because the optional three-year phase-in period will have ended for all electing institutions by the end of the prior calendar year. If an individual electing institution's three-year phase-in period ends before item 2.a is removed (*e.g.,* its phase-in period ends December 31, 2022), the institution would change its response to item 2.a and report that it does not have a CECL transition election in effect as of the quarter-end report date.

During the CECL transition period, an electing institution would need to make adjustments to its retained earnings, temporary difference deferred tax assets (DTAs), ACL, and average total consolidated assets for regulatory capital purposes. An advanced approaches institution also would need to make an adjustment to its total leverage exposure. These adjustments are described in detail in the CECL NPR.

The Board is proposing to revise the instructions to Schedule HC–R, Part I, Regulatory Capital Components and Ratios, items 2, ''Retained earnings''; 30.a, ''Allowance for loan and lease losses includable in tier 2 capital''; and item 36, ''Average total consolidated assets,''; as well as Schedule HC–R, Part II, Risk-Weighted Assets, item 8, ''All other assets,'' consistent with the adjustments to these items for the applicable transitional amounts as described in the CECL NPR for electing institutions to report the adjusted amounts. The Board also propose to include footnotes on the reporting forms to highlight the proposed changes to these items for electing institutions.

Schedule HC–V

The Board proposes to clarify in the instructions effective March 31, 2019, that all assets of consolidated variable interest entities should be reported net of applicable allowances for credit losses by holding companies that have adopted ASU 2016–13. Net reporting on Schedule HC–V by such holding companies is consistent with the proposed changes to Schedules HC and HC–F. Similarly, effective March 31, 2019, the reporting form for Schedule HC–V will also specify that holding companies that have adopted ASU 2016–13 should report assets net of applicable allowances.

FR 2248, FR 2314/S, FR 2320, FR 2644, FR 2886b, FR Y–7N/NS, FR Y–8, FR Y–9LP, FR Y–9SP, and FR Y–11/S

The Board proposes to make changes to the FR 2248, FR 2314/S, FR 2320, FR 2644, FR 2886b, FR Y–7N/NS, FR Y–8, FR Y–9LP, FR Y–9SP, and the FR Y–11/S report to mirror the FR Y–9C and Call report reporting revisions related to ASU 2016–13. The report forms and instructions will be revised to clearly indicate that HTM securities, Securities purchased under agreements to resell, and Other assets should be reported net of applicable allowance for credit losses for those institutions that have adopted the standard. Additionally, the Board proposes to indicate on the report form and instructions that institutions that have adopted the ASU 2016–13 should report ''Allowance for credit losses on loans and leases'' and ''Provisions for credit losses for all applicable financial assets.''

To further address the broader scope of financial assets for which allowances will be calculated under ASU 2016–13, the Board proposes to revise the FR 2314/S, FR 2886b, FR Y–7N/NS, and the FR Y–11/S report to change the title caption from Changes in Allowance for Loan and Lease Losses'' to ''Changes in Allowances for Credit Losses'' and add three columns titled:

- Column A: Loans and leases
- Column B: Held-to-maturity debt securities
- Column C: Available-for-sale debt securities

2. EGRRCPA Proposed FR Y–9C Report Revisions

On September 28, 2018, the Board, pursuant to its delegated authority,[11] temporarily approved certain revisions to the FR Y–9C relating to statutory amendments enacted by EGRRCPA.[12] Pursuant to the requirements of the Board's delegated authority, the Board now proposes to extend these revisions for three years through the normal delegated clearance process.[13]

Section 214 of EGRRCPA, which was enacted on May 24, 2018, added a new section 51 to the Federal Deposit Insurance Act (FDI Act) governing the risk-based capital requirements for certain acquisition, development, or construction (ADC) loans. EGRRCPA provides that, effective upon enactment, the federal banking agencies may only require a depository institution to assign a heightened risk weight to an HVCRE exposure if such exposure is an ''HVCRE ADC Loan,'' as defined in this new law.

Section 202 of EGRRCPA amended section 29 of the FDI Act to exclude a capped amount of reciprocal deposits from treatment as brokered deposits for qualifying institutions, effective upon enactment. The instructions for the FR Y–9C and the Call Report, consistent with the law prior to the enactment of EGRRCPA, previously treated all reciprocal deposits as brokered deposits. In amending section 29 of the FDI Act to exclude a capped amount of reciprocal deposits from treatment as brokered deposits for qualifying institutions, section 202 defines ''reciprocal deposits'' to mean ''deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks.'' The terms ''agent institution,'' ''deposit placement network,'' ''covered deposit,'' and ''network member bank,'' all of which are used in the definition of ''reciprocal deposit,'' also are defined in section 202.

In particular, an ''agent institution'' is an FDIC-insured depository institution that meets at least one of the following criteria:

- The institution is well-capitalized *and* has a composite condition of ''outstanding'' or ''good'' when most recently examined under section 10(d) of the FDI Act (12 U.S.C. 1820(d));
- The institution has obtained a waiver from the FDIC to accept, renew, or roll over brokered deposits pursuant to section 29(c) of the FDI Act (12 U.S.C. 1831f(c)); or
- The institution does not receive reciprocal deposits in an amount that is greater than a ''special cap'' (discussed below).

Under the ''general cap'' set forth in section 202, an agent institution may classify reciprocal deposits up to the lesser of the following amounts as non-brokered reciprocal deposits:

[11] 5 CFR Pt. 1320, Appx. A(a)(3)(i)(A).

[12] See 83 FR 48990 (September 28, 2018).

[13] See 5 CFR Pt. 1320, Appx. A(a)(3)(i)(B).

- $5 billion or
- An amount equal to 20 percent of the agent institution's total liabilities.

Any amount of reciprocal deposits in excess of the ''general cap'' would be treated as, and should be reported as, brokered deposits.

A ''special cap'' applies if an agent institution is either *not* ''well-rated'' or *not* well-capitalized. In this situation, the institution may classify reciprocal deposits as non-brokered in an amount up to the lesser of the ''general cap'' or the average amount of reciprocal deposits held at quarter-end during the last four quarters the institution was well-capitalized *and* in ''outstanding'' or ''good'' condition.

To address the change in the treatment of HVCRE loans and certain reciprocal deposits under EGRRCPA, the agencies have made a number of revisions to the September 2018 Call instructions. In order to avoid the regulatory burden associated with applying different definitions for HVCRE exposures and reciprocal deposits within a single organization, the Board temporarily revised the FR Y–9C instructions so that they that are consistent with those changes to the Call Report. To assist holding companies in preparing the FR Y–9C for that report date, the revised FR Y–9C Supplemental Instructions include information regarding the reporting of HVCRE exposures and reciprocal deposits.

Specifically, the temporary revisions to the FR Y–9C report provide that (i) respondents are permitted to report brokered deposits (in Schedule HC–E Memorandum items 1 and 2) in a manner consistent with the provisions of EGRRCPA,[14] but also may choose to continue to report brokered deposits in a manner consistent with the current instructions to the FR Y–9C and (ii) respondents are permitted to apply a heightened risk weight only to those HVCRE exposures (in Schedule HC–R, Part II, items 4.b, 5.b and 7) they believe meet the definition of HVCRE ADC Loan, but also may choose to continue to report and risk weight HVCRE exposures in a manner consistent with the previous instructions to the FR Y–9C.

[14] Although the EGRRCPA provision relating to reciprocal deposits and the risk-weighting of HVCRE applies only to depository institutions, the Board proposes that the FR Y–9C be revised to permit holding companies to report HVCRE in a manner consistent with their subsidiary depository institutions.

3. Other Proposed Revisions

Proposed Revisions To the FR Y–9C

On the Notes to the Income Statement—Predecessor Financial Items, the Board is proposing to add a footnote to line item 6, Realized gains (losses) on held-to-maturity and available-for-sale securities to instruct holding companies to include realized and unrealized holding gains and losses in this item in order to implement the accounting change pertaining to equity securities under Accounting Standards Update (ASU No. 2016–01, ''Recognition and Measurement of Financial Assets and Financial Liabilities''). This change is consistent with the changes to the Call Report[15] and the FR Y–9C[16] report that became effective March 31, 2018. This change is effective March 31, 2019.

Proposed Revisions To the FR 2886b

Effective March 31, 2019, the Board proposes to implement a number of revisions to the FR 2886b reporting requirements, most of which are proposed to align with changes implemented on the Call Report. The proposed changes include:

- Revisions to Schedule RC–R, Regulatory Capital, for banking Edge corporations,
- Revisions to the eligibility criteria for reporting Schedule RC–D, Trading Assets and Liabilities,
- Revisions to address changes in accounting for equity investments not held for trading, and
- Revisions to the reporting of equity investments accounted for under the equity method of accounting.

Schedule RC–R, Regulatory Capital (for Banking Edge Corporations)

Effective January 1, 1993, banking Edge corporations became subject to capital adequacy guidelines under section 211.12(c) of Regulation K, International Banking Operations (12 CFR 211). According to Regulation K, banking Edge corporations must maintain a minimum total capital to total risk-weighted assets ratio of at least 10 percent, of which at least 50 percent must consist of Tier 1 capital. In order to assess compliance with the capital requirements of Regulation K, banking Edge corporations file FR 2886b Schedule RC–R, which currently consists of six items:

- Tier 1 capital allowable under the risk-based capital guidelines,
- Tier 2 capital allowable under the risk-based capital guidelines,
- Subordinated debt allowable as Tier 2,
- Total qualifying capital allowable under risk-based capital guidelines,
- Total risk-weighted assets and credit equivalent amounts of off-balance sheet items and
- Credit equivalent amounts of off-balance-sheet items.

In October of 2013, the Board and the OCC published the revised capital rules in the **Federal Register**.[17] (The FDIC published its own identical rules). The revised capital rules updated Regulation Q—Capital Adequacy of Bank Holding Companies, Savings and Loan Holding Companies, and State Member Banks (12 CFR 217). As a result of this update, the concept of risk-based capital rules in Regulation Q replaced the concept of capital adequacy guidelines. Since banking Edge corporations are subject to capital adequacy guidelines under Regulation K, and the concept of capital adequacy guidelines in Regulation K was replaced by the concept of risk-based capital rules in Regulation Q, banking Edge corporations were now subject to risk-based capital rules under Regulation Q.

From August of 2013 to February of 2015, the Board, in conjunction with the OCC and the FDIC, published initial and final notices in the **Federal Register** to revise Call Report Schedule RC–R, Regulatory Capital, to align with the revised capital rules under Regulation Q.[18] As a result, Call Report Schedule RC–R, Part I, Regulatory Capital Components and Ratios, and Part II, Risk-Weighted Assets, were revised as of March 2014 and March 2015, respectively. The FR 2886b Schedule RC–R was not updated at this time to reflect the revised capital rules.

The Board proposes to remove all six existing items on FR 2886b Schedule RC–R, and replace them with four items that correspond to the risk-based capital rules under Regulation Q. The proposed revisions are similar to the revisions made on Call Report Schedule RC–R, albeit concerning fewer items. The Board believes these four items sufficiently assess risk-based capital adequacy for banking Edge corporations, and better align with the risk-based capital rules under Regulation Q. Specifically, the Board proposes to add the following items to FR 2886b Schedule RC–R:

- Tier 1 Capital allowable under Regulation Q,
- Tier 2 Capital allowable under Regulation Q,

[15] See 83 FR 939 (February 7, 2018).

[16] See 83 FR 12395 (March 21, 2018).

[17] See 78 FR 62018 (October 11, 2013).

[18] See 78 FR 48934 (August 12, 2013), 79 FR 2527 (January 14, 2014), 79 FR 35634 (June 23, 2014), and 80 FR 5618 (February 2, 2015).

- Total Capital allowable under Regulation Q and
- Total risk-weighted assets.

Schedule RC–D, Trading Assets and Liabilities

The Board proposes to change the reporting threshold for filing Schedule RC–D to Edges with total trading assets of $10 million or more in any of the four preceding calendar quarters, from the current threshold of $2 million. The Board no longer needs the information reported in this schedule from Edges with a lesser amount of trading assets.

Changes in Accounting for Equity Investments Not Held for Trading

In January 2016, the FASB issued ASU No. 2016–01, ''Recognition and Measurement of Financial Assets and Financial Liabilities.'' The Board proposes to revise the FR 2886b report form and instructions to account for the changes to U.S. GAAP set forth in ASU 2016–01 that are consistent with the changes made to the Call Report.[19] These proposed revised reporting requirements would become effective for different sets of respondents as those respondents become subject to the ASU. Institutions that are public business entities, as defined in U.S. GAAP, are subject to ASU 2016–01 for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. As discussed below, interim guidance has been provided for purposes of reporting by such an institution in accordance with the ASU in its FR 2886b beginning with the March 31, 2018, report date. For all other institutions, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The period over which institutions will be implementing this ASU ranges from the first quarter of 2019 through the fourth quarter of 2020. December 31, 2020, will be the first quarter-end FR 2886b report date as of which all institutions would be required to prepare their FR 2886b in accordance with ASU 2016–01 and the proposed revised reporting requirements.

The changes to the accounting for equity investments under ASU 2016–01 will affect several existing data items in the FR 2886b. One outcome of the change in accounting for equity investments under ASU 2016–01 is the elimination of the concept of available-for-sale (AFS) equity securities, which are measured at fair value on the balance sheet with changes in fair value recognized through other comprehensive income. At present, the historical cost and fair value of AFS equity securities, *i.e.,* investments in mutual funds and other equity securities with readily determinable fair values that are not held for trading, are reported in FR 2886b Schedule RC–B (Securities), item 3, columns C and D, respectively. The total fair value of AFS securities, which includes both debt and equity securities, is then carried forward to the FR 2886b balance sheet and reported in Schedule RC, item 2.

At present, the accumulated balance of the unrealized gains (losses) on AFS equity securities, net of applicable income taxes, that have been recognized through other comprehensive income is included in accumulated other comprehensive income (AOCI), which is reported in the equity capital section of the FR 2886b balance sheet in Schedule RC, item 24. With the elimination of AFS equity securities on the effective date of ASU 2016–01, the net unrealized gains (losses) on these securities that had been included in AOCI will be reclassified (transferred) from AOCI into the retained earnings component of equity capital, which is reported on the FR 2886b balance sheet in Schedule RC, item 23. After the effective date, changes in the fair value of (*i.e.,* the unrealized gains and losses on) an institution's equity securities that would have been classified as AFS had the previously applicable accounting standards remained in effect will be recognized through net income rather than other comprehensive income.

The effect of the elimination of AFS equity securities as a distinct asset category upon institutions' implementation of ASU 2016–01 carries over to the agencies' regulatory capital rules. Under these rules, institutions that are eligible to and have elected to make the AOCI opt-out election deduct net unrealized losses on AFS equity securities from common equity tier 1 capital and include 45 percent of pretax net unrealized gains on AFS equity securities in tier 2 capital. When ASU 2016–01 takes effect and the classification of equity securities as AFS is eliminated for accounting and reporting purposes under U.S. GAAP, the concept of unrealized gains and losses on AFS equity securities will likewise cease to exist.

Another outcome of the change in accounting for equity investments under ASU 2016–01 is that equity securities and other equity investments without readily determinable fair values that are within the scope of ASU 2016–01 and are not held for trading must be measured at fair value through net income, rather than at cost (less impairment, if any), unless the measurement election described above is applied to individual equity investments. In general, institutions currently report their holdings of such equity securities without readily determinable fair values as a category of other assets in FR 2886b Schedule RC, item 8 (item 8 is the total amount of an institution's other assets).

At present, AFS equity securities and equity investments without readily determinable fair values are included in the quarterly averages reported in Schedule RC–K. Institutions report the quarterly average of its total securities in item 7 of this schedule and this average reflects AFS equity securities at fair value and equity investments without readily determinable fair values at historical cost (item 7 is total assets; there is no breakout for securities on Schedule RC–K on the FR 2886b).

The Board has considered the changes to the accounting for equity investments under ASU 2016–01 and the effect of these changes on the manner in which data on equity securities and other equity investments are currently reported in the FR 2886b, which has been described above. Accordingly, the proposed revisions to the FR 2886b report form and instructions to address the equity securities accounting changes are as follows:

Schedule RI

To provide transparency to the effect of unrealized gains and losses on equity securities not held for trading on an institution's net income during the year-to-date reporting period in Schedule RI, Income Statement, and to clearly distinguish these gains and losses from the rest of an institution's income (loss) from its continuing operations, Schedule RI, item 8, would be revised effective March 31, 2019, by creating new items 8.a, ''Income (loss) before unrealized holding gains (losses) on equity securities not held for trading, applicable income taxes, and discontinued operations,'' and 8.b, ''Unrealized holding gains (losses) on equity securities not held for trading.'' In addition to unrealized holding gains (losses) during the year-to-date reporting period on such equity securities with readily determinable fair values, institutions would also report in proposed new item 8.b the year-to-date changes in the carrying amounts of equity investments without readily determinable fair values not held for trading (*i.e.,* unrealized holding gains (losses) for those measured at fair value through earnings; impairment, if any, plus or minus changes resulting from observable price changes for those

[19] See 83 FR 939 (January 8, 2018).

equity investments for which this measurement election is made). Existing Schedule RI, item 8, ''Income (loss) before applicable income taxes and discontinued operations,'' would be renumbered as item 8.c, and would be the sum of items 8.a and 8.b. From March 31, 2019, through September 30, 2020, the instructions for item 8.b and the reporting form for Schedule RI would include guidance stating that item 8.b is to be completed only by institutions that have adopted ASU 2016–01. Institutions that have not adopted ASU 2016–01 would leave item 8.b blank when completing Schedule RI. Finally, from March 31, 2019, through September 30, 2020, the instructions for Schedule RI, item 6, ''Realized gains (losses) on securities not held in trading accounts,'' and the reporting form for Schedule RI would include guidance stating that, for institutions that have adopted ASU 2016–01, item 6 includes realized gains (losses) only on AFS debt securities. Effective December 31, 2020, the caption for item 6 would be revised to ''Realized gains (losses) on available-for-sale debt securities.''

Schedule RC

In Schedule RC, Balance Sheet, item 2, ''Securities,'' would be split into three items: Item 2.a: ''Held-to-maturity securities, net of allowance for credit losses,'' item 2.b: ''Available-for-sale securities not held for trading,'' and 2.c: ''Equity securities with readily determinable fair values not held for trading,'' effective March 31, 2019. From March 31, 2019, through September 30, 2020, the instructions for item 2.c and the reporting form for Schedule RC would include guidance stating that item 2.c is to be completed only by institutions that have adopted ASU 2016–01. Institutions that have not adopted ASU 2016–01 would leave item 2.c blank. During this period, the instructions for items 2.a and 2.b would explain that institutions that have adopted ASU 2016–01 should include only debt securities in these items. Effective December 30, 2020, the caption for item 2.a would be revised to ''Held-to-maturity debt securities, net of allowance for credit losses,'' and the caption for item 2.b would be revised to ''Available-for-sale debt securities not held for trading.'' All institutions would report their holdings of equity securities with readily determinable fair values not held for trading in item 2.c.

In Schedule RC, item 8, Other Assets, the instructions would be revised to add language stating institutions that have adopted ASU 2016–01 should report ''equity investments without readily determinable fair values'' at fair value, effective March 31, 2019. Institutions that have not adopted ASU 2016–01 would continue to report ''equity securities that do not have readily determinable fair values'' at historical cost. The types of equity securities and other equity investments currently reported in item 8 would continue to be reported in this item. However, after the effective date of ASU 2016–01 for an institution, the securities the institution reports in item 8 would be measured in accordance with the ASU.

Schedule RC–B

In Schedule RC–B, item 3, ''Equity interest in nonrelated organizations,'' would be removed effective December 30, 2020. From March 31, 2019, through September 30, 2020, the instructions for item 3 and the reporting form for Schedule RC–B would include guidance stating that item 3 is to be completed only by institutions that have not adopted ASU 2016–01. Institutions that have adopted ASU 2016–01 would leave item 3 blank.

Interim Guidance

Institutions that applied ASU 2016–01 in the first quarter of 2018 will need to report their holdings of equity securities and other equity investments in accordance with this accounting standard within the existing structure of the FR 2886b beginning with the March 31, 2018, report date. As a result, the Board provided interim guidance for the March 31, 2018, report date advising institutions that have adopted ASU 2016–01 to (1) report realized and unrealized holding gains (losses) on equity securities not held for trading in the appropriate subitem of either item 5 (noninterest income) or item 7 (noninterest expense) of Schedule RI (Income Statement), as applicable. In addition to realized and unrealized holding gains (losses) during the year-to-date reporting period on such equity investments with readily determinable fair values, institutions should also report in Schedule RI, item 5 or 7, as applicable, the year-to-date carrying amounts of equity investments without readily determinable fair values not held for trading (*i.e.,* unrealized holding gains (losses) for those measured at fair value through earnings, impairment, if any, plus or minus changes resulting from observable price changes for those equity investments for which this measurement election is made). For institutions that have adopted ASU 2016–01, Schedule RI, item 6 (realized gains (losses) on securities not held in trading accounts) would only include realized gains (losses) on available-for-sale debt securities, (2) measure their holdings of equity securities and other equity investments without readily determinable fair values not held for trading in accordance with the ASU and continue to report them in Schedule RC (Balance Sheet), item 8 (Other assets), and (3) continue to report the historical cost and fair value of their holdings of equity securities with readily determinable fair values not held for trading (which were reportable as available-for-sale equity securities prior to the adoption of ASU 2016–01) in Schedule RC–B, item 3 (Equity interest in nonrelated organizations), columns C and D, respectively.

Investments Accounted for Uunder the Equity Method of Accounting

The instructions for Schedule RC–B, item 3, ''Equity interest in nonrelated organizations,'' currently state to include investments that represent 20 percent to 50 percent of the voting shares of an organization accounted for under the equity method of accounting, and these investments are reported as either held-to-maturity or available-for-sale. Upon review, it was determined this treatment is not in compliance with U.S. GAAP, as investments accounted for under the equity method of accounting should not be classified as either held-to-maturity or available-for-sale. Guidance on securities accounted for under the equity method is provided in ASC Subtopic 323–10, Investments—Equity Method and Joint Ventures-Overall. To become U.S. GAAP compliant and to align with the reporting on the Call Report, the Board proposes to revise the instructions to indicate investments that represent 20 percent to 50 percent of the voting shares of an organization accounted for under the equity method of accounting should no longer be included in Schedule RC–B, item 3, but rather included in Schedule RC, item 8, ''Other assets.''

In addition, Schedule RC–B, item 3, columns A and B, Amortized Cost and Fair Value of Held-to-maturity equity interest in nonrelated organizations, respectively, would be discontinued effective March 31, 2019, as these items are no longer needed by the Board. Columns C and D, Amortized Cost and Fair value of Available-for-sale securities, would remain on the form and continue to be collected until December 31, 2020, when all institutions must comply with ASU 2016–01 (see description of proposed revisions due to ASU 2016–01 for more information).

Legal authorization and confidentiality (FR Y–9 family of reports): The FR Y–9 family of reports

is authorized by section 5(c) of the Bank Holding Company Act (BHC Act) (12 U.S.C. 1844(c)), section 10 of Home Owners' Loan Act (12 U.S.C. 1467a(b)) and section 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (12 U.S.C. 1850a(c)(1)), and section 165 of the Dodd-Frank Act (12 U.S.C. 5365). These reports are mandatory.

With respect to the FR Y–9LP, FR Y–9SP, FR Y–9ES, FR Y–9CS, as well as most items on the FR Y–9C, the information collected would generally not be accorded confidential treatment. If confidential treatment is requested by a respondent, the Board will review the request to determine if confidential treatment is appropriate.

With respect to the FR Y–9C, Schedule HI's item 7(g) ''FDIC deposit insurance assessments,'' Schedule HC–P's item 7(a) ''Representation and warranty reserves for 1–4 family residential mortgage loans sold to U.S. government agencies and government sponsored agencies,'' and Schedule HC–P's item 7(b) ''Representation and warranty reserves for 1–4 family residential mortgage loans sold to other parties'' are considered confidential. Such treatment is appropriate because the data is not publicly available and could cause substantial harm to the competitive position of the respondent. The public release of this confidential data may impair the Board's future ability to collect similarly confidential data. Thus, this information may be kept confidential under exemptions (b)(4) of the Freedom of Information Act (FOIA), which exempts from disclosure ''trade secrets and commercial or financial information obtained from a person and privileged or confidential'' (5 U.S.C. 552(b)(4)), and (b)(8) of the Freedom of Information Act, which exempts from disclosure information related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions (5 U.S.C. 552(b)(8)). If confidential treatment is requested by a respondent for other items in the FR Y–9C, the Board will review the request to determine if confidential treatment is appropriate.

Legal authorization and confidentiality (FR Y–7 family of reports). With respect to FBOs and their subsidiary IHCs, section 5(c) of the BHC Act, in conjunction with section 8 of the International Banking Act (12 U.S.C. 3106), authorizes the board to require FBOs and any subsidiary thereof to file the FR Y–7N reports, and the FR Y–7Q.

Information collected in these reports generally is not considered confidential. However, because the information is collected as part of the Board's supervisory process, certain information may be afforded confidential treatment pursuant to exemption 8 of FOIA (5 U.S.C. 552(b)(8)). Individual respondents may request that certain data be afforded confidential treatment pursuant to exemption 4 of FOIA if the data has not previously been publically disclosed and the release of the data would likely cause substantial harm to the competitive position of the respondent (5 U.S.C. 552(b)(4)). Additionally, individual respondents may request that personally identifiable information be afforded confidential treatment pursuant to exemption 6 of FOIA if the release of the information would constitute a clearly unwarranted invasion of personal privacy (5 U.S.C. 552(b)(6)). The applicability of FOIA exemptions 4 and 6 would be determined on a case-by-case basis.

Legal authorization and confidentiality (FR Y–8). The FR Y–8 is mandatory for respondents that control an insured depository institution that has engaged in covered transactions with an affiliate during the reporting period. Section 5(c) of the BHC Act authorizes the Board to require BHCs to file the FR Y–8 reporting form with the Board (12 U.S.C. 1844(c)). Section 10(b)(2) of the Home Owners' Loan Act authorizes the Board to require SLHCs to file the FR Y–8 reporting form with the Board (12 U.S.C. 1467a(b)(2)). The release of data collected on this form includes financial information that is not normally disclosed by respondents, the release of which would likely cause substantial harm to the competitive position of the respondent if made publicly available. The data collected on this form, therefore, would be kept confidential under exemption 4 of FOIA which protects from disclosure trade secrets and commercial or financial information (5 U.S.C. 552(b)(4)).

Legal authorization and confidentiality (FR Y–11). The Board has the authority to require BHCs and any subsidiary thereof, savings and loan holding companies and any subsidiary thereof, and securities holding companies and any affiliate thereof to file the FR Y–11 pursuant to, respectively, section 5(c) of the BHC Act (12 U.S.C. 1844(c)), section 10(b) of the Homeowners' Loan Act (12 U.S.C. 1467a(b)), and section 618 of the Dodd-Frank Act (12 U.S.C. 1850a). With respect to FBOs and their subsidiary IHCs, section 5(c) of the BHC Act, in conjunction with section 8 of the International Banking Act (12 U.S.C. 3106), authorizes the board to require FBOs and any subsidiary thereof to file the FR Y–11 reports. These reports are mandatory.

Information collected in these reports generally is not considered confidential. However, because the information is collected as part of the Board's supervisory process, certain information may be afforded confidential treatment pursuant to exemption 8 of FOIA (5 U.S.C. 552(b)(8)). Individual respondents may request that certain data be afforded confidential treatment pursuant to exemption 4 of FOIA if the data has not previously been publically disclosed and the release of the data would likely cause substantial harm to the competitive position of the respondent (5 U.S.C. 552(b)(4)). Additionally, individual respondents may request that personally identifiable information be afforded confidential treatment pursuant to exemption 6 of FOIA if the release of the information would constitute a clearly unwarranted invasion of personal privacy (5 U.S.C. 552(b)(6)). The applicability of FOIA exemptions 4 and 6 would be determined on a case-by-case basis.

Legal authorization and confidentiality (FR 2248). The Board has determined that the FR 2248 is authorized by law pursuant to section 2A of the Federal Reserve Act (12 U.S.C. 225a). The obligation to respond is voluntary. Individual respondent data are confidential under section (b)(4) of FOIA (5 U.S.C. 552).

Legal authorization and confidentiality (FR 2314). The Board has the authority to require BHCs and any subsidiary thereof, savings and loan holding companies and any subsidiary thereof, and securities holding companies and any affiliate thereof to file the FR 2314 pursuant to, respectively, section 5(c) of the BHC Act (12 U.S.C. 1844(c)), section 10(b) of the Homeowners' Loan Act (12 U.S.C. 1467a(b)), and section 618 of the Dodd-Frank Act (12 U.S.C. 1850a). The Board has the authority to require SMBs, agreement corporations, and Edge corporations to file the FR 2314 pursuant to, respectively, sections 9(6), 25(7), and 25A(17) of the Federal Reserve Act (12 U.S.C. 324, 602, and 625). With respect to FBOs and their subsidiary IHCs, section 5(c) of the BHC Act, in conjunction with section 8 of the International Banking Act (12 U.S.C. 3106), authorizes the board to require FBOs and any subsidiary thereof to file the FR 2314 reports. These reports are mandatory.

Information collected in these reports generally is not considered confidential. However, because the information is collected as part of the Board's supervisory process, certain information

may be afforded confidential treatment pursuant to exemption 8 of FOIA (5 U.S.C. 552(b)(8)). Individual respondents may request that certain data be afforded confidential treatment pursuant to exemption 4 of FOIA if the data has not previously been publically disclosed and the release of the data would likely cause substantial harm to the competitive position of the respondent (5 U.S.C. 552(b)(4)). Additionally, individual respondents may request that personally identifiable information be afforded confidential treatment pursuant to exemption 6 of FOIA if the release of the information would constitute a clearly unwarranted invasion of personal privacy (5 U.S.C. 552(b)(6)). The applicability of FOIA exemptions 4 and 6 would be determined on a case-by-case basis.

Legal authorization and confidentiality (FR 2320). The Board has the authority to require SLHCs to file the FR 2320 pursuant to the Home Owners' Loan Act (12 U.S.C. 1467a(b)(2)). The FR 2320 is mandatory for exempt SLHCs. In some cases, lower-tier SLHCs may voluntarily file the FR 2320. In other cases lower-tier SLHCs may be required to file (in addition to the top-tier SLHC) for safety and soundness purposes at the discretion of the appropriate Federal Reserve Bank.

The Board also has determined that data items C572, C573, and C574 (line items 24, 25, and 26) may be protected from disclosure under exemption 4 of FOIA. Commercial or financial information may be protected from disclosure under exemption 4 if disclosure of such information is likely to cause substantial competitive harm to the provider of the information (5 U.S.C. 552(b)(4)). The data items listed above pertain to new or changed pledges, or capital stock of any subsidiary savings association that secures short-term or long-term debt or other borrowings of the SLHC; changes to any class of securities of the SLHC or any of its subsidiaries that would negatively impact investors; and defaults of the SLHC or any of its subsidiaries during the quarter. Disclosure of this type of information is likely to cause substantial competitive harm to the SLHC providing the information and thus this information may be protected from disclosure under FOIA exemption 4.

With regard to the remaining data items on the FR 2320, the Board has determined that institutions may request confidential treatment for any FR 2320 data item or for all FR 2320 data items, and that confidential treatment will be reviewed on a case-by-case basis.

Legal authorization and confidentiality (FR 2644). The FR 2644 is authorized by section 2A and 11(a)(2) of the Federal Reserve Act (12 U.S.C. 225(a) and 248(a)(2)) and by section 7(c)(2) of the International Banking Act (12 U.S.C. 3105(c)(2)) and is voluntary. Individual respondent data are regarded as confidential under FOIA (5 U.S.C. 552(b)(4)).

Legal authorization and confidentiality (FR 2886b). Sections 25 and 25A of the Federal Reserve Act authorize the Board to collect the FR 2886b (12 U.S.C. 602, 625). The FR 2886b is mandatory. The information collected on this report is generally not considered confidential. However, information provided on Schedule RC–M (with the exception for item 3) and on Schedule RC–V, both of which pertain to claims on and liabilities to related organizations, may be exempt from disclosure pursuant to exemption (b)(4) of FOIA (5 U.S.C. 552(b)(4)). The information provided in the Patriot Act Contact Information section of the reporting form may be exempt from disclosure pursuant to exemption (b)(7)(C) of FOIA (5 U.S.C. 552(b)(7)(C)).

Board of Governors of the Federal Reserve System, December 4, 2018.

Michele Taylor Fennell,

Assistant Secretary of the Board.

Appendix A

EFFECTIVE DATES FOR ASU 2016–13

	U.S. GAAP effective date	Regulatory report effective date *
PBEs That Are SEC Filers	Fiscal years beginning after 12/15/2019, including interim periods within those fiscal years.	03/31/2020.
Other PBEs (Non-SEC Filers) ..	Fiscal years beginning after 12/15/2020, including interim periods within those fiscal years.	03/31/2021.
Non-PBEs	Fiscal years beginning after 12/15/2020, and interim periods for fiscal years beginning after 12/15/2021 [20].	12/31/2021.[21]
Early Application	Early application permitted for fiscal years beginning after 12/15/2018, including interim periods within those fiscal years.	First calendar quarter-end after effective date of early application of the ASU.

** For institutions with calendar fiscal year-ends and reports with quarterly report dates.*

For additional information on key elements of the new accounting standard and initial supervisory views with respect to measurement methods, use of vendors, portfolio segmentation, data needs, qualitative adjustments, and allowance processes, refer to the agencies' Joint Statement on the New Accounting Standard on Financial Instruments—Credit Losses issued on June 17, 2016, and Frequently Asked Questions on the New Accounting Standard on Financial Instruments—Credit Losses (CECL FAQs), which were last updated on September 6, 2017.[22]

For institutions that are PBEs and also are SEC filers, as both terms are defined in U.S. GAAP, the new credit losses standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Thus, for an SEC filer that has a calendar year fiscal year, the standard is effective January 1, 2020, and institutions must first apply the new credit losses standard in its FR 2314, FR 2320, FR 2886b, FR Y–7N, FR Y–8, FR Y–9C, FR Y–9LP and the FR Y–11 report for the quarter ended March 31, 2020. For the FR 2248, FR 2644 and the FR Y–9SP reporters must first apply the new credit losses standard January 31, 2020, January 1, 2020 and June 30, 2020, respectively.

For a PBE that is not an SEC filer, the credit losses standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Thus, for a PBE that is not an SEC filer and has a calendar year fiscal year, the standard is effective January 1, 2021, and the institution must first apply the new credit losses standard in its FR 2314, FR 2320, FR 2886b, FR Y–7N, FR Y–8, FR Y–9C, FR Y–9LP and the FR Y–11 for the quarter ended March 31, 2021. For the FR 2248, FR 2644 and the FR Y–9SP reporters must first apply the new credit losses standard, January 31, 2021, January 6, 2021, and June 30, 2021, respectively.

For an institution that is not a PBE, the credit losses standard is effective for fiscal years beginning after December 15, 2020, and for interim period financial statements for

[20] See Footnote 23.

[21] See Footnote 24.

[22] The CECL FAQs and a related link to the joint statement can be found on the Board's website: *https://www.federalreserve.gov/supervisionreg/srletters/sr1708a1.pdf.*

fiscal years beginning after December 15, 2021.[23] Thus, an institution with a calendar year fiscal year that is not a PBE must first apply the new credit losses standard in its FR 2248, FR 2314, FR 2320, FR 2886b, FR Y–7N, FR Y–8, FR Y–9C, FR Y–9LP, FR Y–9SP, and FR Y–11 for December 31, 2021, if the institution is required to file such form.[24] The FR 2644 reporters must first apply the new credit losses standard January 5, 2022. However, where applicable, institutions would include the CECL provision for expected credit losses for the entire year ended December 31, 2021, in the income statement in its report for year-end 2021. The institution would also recognize in its year-end 2021 report a cumulative-effect adjustment to the beginning balance of retained earnings as of January 1, 2021, resulting from the adoption of the new standard as of the beginning of the 2021 fiscal year.

For regulatory reporting purposes, early application of the new credit losses standard will be permitted for all institutions for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

Appendix B—U.S. GAAP Changes as a Result of CECL

Introduction of a New Credit Loss Methodology

The new accounting standard developed by the FASB has been designed to replace the existing incurred loss methodology in U.S. GAAP. Under CECL, the allowance for credit losses is an estimate of the expected credit losses on financial assets measured at amortized cost, which is measured using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. In concept, an allowance will be created upon the origination or acquisition of a financial asset measured at amortized cost. At subsequent reporting dates, the allowance will be reassessed for a level that is appropriate as determined in accordance with CECL. The allowance for credit losses under CECL is a valuation account, measured as the difference between the financial assets' amortized cost basis and the amount expected to be collected on the financial assets, *i.e.,* lifetime expected credit losses.

Reduction in the Number of Credit Impairment Models

Impairment measurement under existing U.S. GAAP has often been considered complex because it encompasses five credit impairment models for different financial assets.[25] In contrast, CECL introduces a single measurement objective to be applied to all financial assets carried at amortized cost, including loans held-for-investment (HFI) and held-to-maturity (HTM) debt securities. That said, CECL does not specify a single method for measuring expected credit losses; rather, it allows any reasonable approach, as long as the estimate of expected credit losses achieves the objective of the FASB's new accounting standard. Under the existing incurred loss methodology, institutions use various methods, including historical loss rate methods, roll-rate methods, and discounted cash flow methods, to estimate credit losses. CECL allows the continued use of these methods; however, certain changes to these methods will need to be made in order to estimate lifetime expected credit losses.

Purchased Credit-Deteriorated (PCD) Financial Assets

CECL introduces the concept of PCD financial assets, which replaces purchased credit-impaired (PCI) assets under existing U.S. GAAP. The differences in the PCD criteria compared to the existing PCI criteria will result in more purchased loans HFI, HTM debt securities, and available-for-sale (AFS) debt securities being accounted for as PCD financial assets. In contrast to the existing accounting for PCI assets, the new standard requires the estimate of expected credit losses embedded in the purchase price of PCD assets to be estimated and separately recognized as an allowance as of the date of acquisition. This is accomplished by grossing up the purchase price by the amount of expected credit losses at acquisition, rather than being reported as a credit loss expense. As a result, as of acquisition date, the amortized cost basis of a PCD financial asset is equal to the principal balance of the asset less the non-credit discount, rather than equal to the purchase price as is currently recorded for PCI loans.

AFS Debt Securities

The new accounting standard also modifies the existing accounting practices for impairment on AFS debt securities. Under this new standard, institutions will recognize a credit loss on an AFS debt security through an allowance for credit losses, rather than a direct write-down as is required by current U.S. GAAP. The recognized credit loss is limited to the amount by which the amortized cost of the security exceeds fair value. A write-down of an AFS debt security's amortized cost basis to fair value, with any incremental impairment reported in earnings, would be required only if the fair value of an AFS debt security is less than its amortized cost basis and either (1) the institution intends to sell the debt security, or (2) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis.

Although the measurement of credit loss allowances is changing under CECL, the FASB's new accounting standard does not address when a financial asset should be placed in nonaccrual status. Therefore, institutions should continue to apply the agencies' nonaccrual policies that are currently in place. In addition, the FASB retained the existing write-off guidance in U.S. GAAP, which requires an institution to write off a financial asset in the period the asset is deemed uncollectible.

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[23] On August 20, 2018, FASB issued a proposed ASU that would amend the transition and effective date provisions in ASU 2016–13 for entities that are not PBEs (non-PBEs) so that the credit losses standard would be effective for non-PBEs for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.

[24] If the FASB issues a final Accounting Standards Update amending the transition and effective date provisions in ASU 2016–13 as described in footnote 23, a non-PBE with a calendar year fiscal year would first apply the new credit losses standard in its reports for March 31, 2022, if an institution is required to file these report forms.

[25] Current U.S. GAAP includes five different credit impairment models for instruments within the scope of CECL: ASC Subtopic 310–10, Receivables-Overall; ASC Subtopic 450–20, Contingencies-Loss Contingencies; ASC Subtopic 310–30, Receivables-Loans and Debt Securities Acquired with Deteriorated Credit Quality; ASC Subtopic 320–10, Investments-Debt and Equity Securities—Overall; and ASC Subtopic 325–40, Investments-Other-Beneficial Interests in Securitized Financial Assets.

FEDERAL RESERVE SYSTEM

Change in Bank Control Notices; Acquisitions of Shares of a Bank or Bank Holding Company

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire shares of a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than December 31, 2018.

A. Federal Reserve Bank of Chicago (Colette A. Fried, Assistant Vice President) 230 South LaSalle Street, Chicago, Illinois 60690–1414:

1. *Lincoln Bancorp Employee Stock Ownership Plan, Reinbeck, Iowa, with John Michael Maier, Milwaukee, Wisconsin, as trustee of the ESOP;* to retain shares of Lincoln Bancorp, Reinbeck, Iowa, and thereby indirectly retain Lincoln Savings Bank, Cedar Falls, Iowa.

B. *Federal Reserve Bank of Dallas* (Robert L. Triplett III, Senior Vice President) 2200 North Pearl Street, Dallas, Texas 75201–2272:

1. *Evan Katz, Michael Helfer, the Evan H. Katz 2018 Dynasty Trust, the Evan H.*