

## SUPPLEMENTAL INSTRUCTIONS

### September 2011 Call Report Forms

Sample Call Report forms for September 2011 are available on both the FFIEC's Web site ([http://www.ffeic.gov/ffeic\\_report\\_forms.htm](http://www.ffeic.gov/ffeic_report_forms.htm)) and the FDIC's Web site (<http://www.fdic.gov/callreports>). An instruction book update for September 2011 is expected to be available on these Web sites by October 3, 2011. Call Report forms, including the cover (signature) page, and instructional materials can be printed and downloaded from the FFIEC's and the FDIC's Web sites. In addition, institutions that use Call Report software generally can print paper copies of blank forms from their software. Please ensure that the person responsible for preparing Call Reports at your institution has been notified about the electronic availability of the September 2011 report forms and instruction book update as well as these Supplemental Instructions.

### Submission of Completed Reports

Each institution's Call Report data must be submitted to the FFIEC's Central Data Repository (CDR), an Internet-based system for data collection (<https://cdr.ffeic.gov/cdr/>), using one of the two methods described in the banking agencies' Financial Institution Letter for the September 30, 2011, report date. For technical assistance with submissions to the CDR, please contact the CDR Help Desk by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at [CDR.Help@ffeic.gov](mailto:CDR.Help@ffeic.gov).

Institutions are required to maintain in their files a signed and attested hard-copy record of the Call Report data file submitted to the CDR. The appearance of this hard-copy record of the submitted data file need not match exactly the appearance of the sample report forms on the FFIEC's Web site, but the hard-copy record should show at least the caption of each Call Report item and the reported amount. A copy of the cover page printed from Call Report software or from the FFIEC's Web site should be used to fulfill the signature and attestation requirement. The signed cover page should be attached to the hard-copy record of the Call Report data file that must be placed in the institution's files.

Currently, Call Report preparation software products marketed by Axiom Software Laboratories, Inc.; DBI Financial Systems, Inc.; Fed Reporter, Inc.; FinArch US, Inc.; FIS Compliance Solutions; FiServ, Inc.; FRSGlobal; Jack Henry & Associates, Inc.; and SOFGEN Americas, Inc., meet the technical specifications for producing Call Report data files that are able to be processed by the CDR. The addresses and telephone numbers of these vendors are listed at the end of these Supplemental Instructions.

### Goodwill Impairment Testing

In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, "Testing Goodwill for Impairment," to address concerns about the cost and complexity of the existing goodwill impairment test in ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets"). The ASU's amendments to ASC Topic 350 will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (i.e., for annual or interim tests performed on or after January 1, 2012, for institutions with a calendar year fiscal year). Early adoption of the ASU is permitted. Institutions should adopt ASU 2011-08 for Call Report purposes in accordance with the standard's effective date and early adoption provisions.

Under ASU 2011-08, an institution has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Topic 350. If, after considering all relevant events and circumstances, an institution determines it is not more likely than not (that is, a likelihood of 50 percent or less) that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the institution does not need to perform the two-step goodwill impairment test. (In other words, if it is more likely than not – a likelihood of more than 50 percent – that the fair value of a reporting unit is greater than its carrying amount, an institution would not have to test the unit's goodwill for impairment.) If the institution instead concludes that the opposite is true (that is, it is more likely than not that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the first step

and, if necessary, the second step of the two-step goodwill impairment test. Under ASU 2011-08, an institution may choose to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. The ASU includes examples of events and circumstances that an institution should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

For additional information, institutions should refer to ASU 2011-08, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

### **Small Business Lending Fund**

The Small Business Lending Fund (SBLF), which was enacted into law in September 2010 as part of the Small Business Jobs Act of 2010, is a \$30 billion fund that encourages lending to small businesses by providing capital to qualified community institutions with assets of less than \$10 billion. The U.S. Treasury Department is administering the SBLF Program (<http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx>).

Under the SBLF Program, the Treasury Department purchases noncumulative perpetual preferred stock from qualifying depository institutions and holding companies (other than Subchapter S and mutual institutions). When this stock is issued by a depository institution, it should be reported on the Call Report balance sheet (Schedule RC) in item 23, "Perpetual preferred stock and related surplus." For regulatory capital purposes, this noncumulative perpetual preferred stock qualifies as a component of Tier 1 capital and should be included in the amount reported for "Total equity capital" in item 1 of Schedule RC-R, Regulatory Capital.

Qualifying Subchapter S corporations and mutual institutions issue unsecured subordinated debentures to the Treasury Department through the SBLF. Depository institutions that issue these debentures should report them on the Call Report balance sheet (Schedule RC) in item 19, "Subordinated notes and debentures." For regulatory capital purposes, the debentures are eligible for inclusion in an institution's Tier 2 capital. Institutions should report the portion of these debentures that qualify for inclusion in Tier 2 capital in accordance with their primary federal regulator's capital standards in Schedule RC-R, item 12, "Qualifying subordinated debt and redeemable preferred stock."

### **Reporting Data for Deposit Insurance Assessment Purposes**

In February 2011, the FDIC adopted a final rule that redefined the deposit insurance assessment base for all insured depository institutions and revised the risk-based assessment system for large and highly complex institutions (generally, institutions with \$10 billion or more in total assets). The final assessments rule took effect April 1, 2011, and first applied to institutions' assessments for the second quarter of 2011.

To provide the data needed to implement the redefined assessment base for all institutions and the revised assessment system for large and highly complex institutions, Call Report Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, was revised as of the June 30, 2011, report date. A minimal number of new data items applied to most institutions with less than \$10 billion in total assets. In contrast, the revisions to Schedule RC-O primarily affected large and highly complex institutions.

The revised Schedule RC-O instructions issued in June 2011 included transition guidance permitting large and highly complex institutions to use either their existing internal methodologies or definitions found in existing supervisory guidance to identify and report "subprime consumer loans" and "leveraged loans" originated or purchased prior to October 1, 2011, in lieu of using the definitions of these two asset categories in the FDIC's final assessments rule. The October 1 transition date for identifying and reporting subprime and leveraged loans has now been extended to April 1, 2012. The Call Report instruction book update for September 2011 includes revised instructions for Schedule RC-O that incorporate the extended transition date.

### **Accounting for Loan Participations**

Amendments to ASC Topic 860, Transfers and Servicing, resulting from Accounting Standards Update No. 2009-16 (formerly FASB Statement No. 166, "Accounting for Transfers of Financial Assets") modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to

qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of amended ASC Topic 860 (January 1, 2010, for institutions with a calendar year fiscal year), including advances under lines of credit that are transferred on or after the effective date even if the line of credit agreements were entered into before the effective date. Institutions with a calendar year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with amended ASC Topic 860. In general, loan participations transferred before the effective date of amended ASC Topic 860 are not affected by this accounting standard.

The Glossary entry for "Transfers of Financial Assets" in the Call Report instruction book incorporates the provisions of amended ASC Topic 860 and addresses related reporting issues, including a discussion of the reporting treatment of loan participations in accordance with amended ASC Topic 860. In particular, the Glossary entry discusses the reporting of transfers of loans guaranteed by the Small Business Administration (SBA). It describes the SBA's previously longstanding requirement obligating the transferor of the guaranteed portion of an SBA loan at a premium to refund the premium to the transferee if the loan is repaid within 90 days of the transfer. The Glossary entry notes that this premium refund obligation is a form of recourse, which causes the transferred guaranteed portion of the loan to not meet the definition of a "participating interest" for this 90-day period during which the transfer must be accounted for as a secured borrowing. Thereafter, assuming the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan then meet the definition of a "participating interest," the transfer of the guaranteed portion can be accounted for as a sale if all of the conditions for sale accounting in amended ASC Topic 860 are met.

Institutions should note that the SBA eliminated its premium refund requirement for transfers of guaranteed portions of SBA loans at a premium effective for loan transfers settled on or after February 15, 2011. The elimination of this obligation removes the key factor that had been preventing the guaranteed and unguaranteed portions of an SBA loan from meeting the definition of a "participating interest" in a transfer of the guaranteed portion at a premium. With the elimination of this obligation from transfers at a premium on or after February 15, 2011, the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan should now normally meet the definition of a "participating interest" on the transfer date. Assuming that is the case and if all of the conditions for sale accounting set forth in ASC Topic 860 are met, the transfer of the guaranteed portion of an SBA loan on or after February 15, 2011, would now qualify as a sale on the transfer date, with immediate recognition of any gain or loss on the sale in earnings.

### **Troubled Debt Restructurings and Current Market Interest Rates**

Many institutions are restructuring or modifying the terms of loans through workout programs, renewals, extensions, or other means to provide payment relief for borrowers who have suffered deterioration in their financial condition. Such loan restructurings may include, but are not limited to, reductions in principal or accrued interest, reductions in interest rates, and extensions of the maturity date. Modifications may be executed at the original contractual interest rate on the loan, a current market interest rate, or a below-market interest rate. Many of these loan modifications meet the definition of a troubled debt restructuring (TDR).

Institutions should note that, effective as of the March 31, 2011, report date, the Call Report items in which loans that are TDRs were reported in prior quarters – Memorandum item 1 in Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, or Memorandum item 1 in Schedule RC-C, part I, Loans and Leases, depending on whether a loan is or is not in compliance with its modified terms – were revised to include breakdowns of these TDRs by loan category. In addition, consumer loans that have undergone TDRs, which were previously exempt from being reported in the Memorandum items for TDRs, must now be reported in these items.

The TDR accounting and reporting standards are set forth in ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended). This guidance specifies that a restructuring of a debt constitutes a TDR if, at the date of restructuring, the creditor for economic or legal reasons related to a debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The creditor's concession may include a restructuring of the terms of a debt to alleviate the burden of the debtor's near-term cash requirements, such as a modification of terms to reduce or defer cash payments required of the debtor in the

near future to help the debtor attempt to improve its financial condition and eventually be able to pay the creditor.

The stated interest rate charged to the borrower after a loan restructuring may be greater than or equal to interest rates available in the marketplace for similar types of loans to nontroubled borrowers at the time of the restructuring. Some institutions have concluded that these restructurings are not TDRs; however, this conclusion may be inappropriate. In reaching this conclusion, these institutions may not have considered all of the facts and circumstances associated with the loan modification besides the interest rate. An interest rate on a modified loan greater than or equal to those available in the marketplace for similar loans to nontroubled borrowers does not in and of itself preclude a modification from being designated as a TDR. Rather, when evaluating a loan modification to a borrower experiencing financial difficulties, an analysis of all facts and circumstances is necessary to determine whether the institution has made a concession to the borrower with respect to the market interest rate or has made some other type of concession that could trigger TDR accounting and disclosure (for example, terms or conditions outside of the institution's policies or common market practices). If TDR accounting and disclosure is appropriate, the institution must determine how the modified or restructured loan should be reported in the Call Report.

Generally, a restructured loan yields a current market interest rate if the restructuring agreement specifies an interest rate greater than or equal to the rate that the institution was willing to accept at the time of the restructuring for a new loan with comparable risk. A restructured loan does not yield a market interest rate simply because the interest rate charged under the restructuring agreement has not been reduced. In addition, when a modification results in an increase (either temporary or permanent) in the contractual interest rate, the increased interest rate cannot be presumed to be an interest rate that is at or above market. Therefore, in determining whether a loan has been modified at a market interest rate, an institution should analyze the borrower's current financial condition and compare the rate on the modified loan to rates the institution would charge customers with similar financial characteristics on similar types of loans. This determination requires the use of judgment and should include an analysis of credit history and scores, loan-to-value ratios or other collateral protection, the borrower's ability to generate cash flow sufficient to meet the repayment terms, and other factors normally considered when underwriting and pricing loans.

Likewise, a change in the interest rate on a modified or restructured loan does not necessarily mean that the modification is a TDR. For example, a creditor may lower the interest rate to maintain a relationship with a debtor that can readily obtain funds from other sources. To be a TDR, the borrower must also be experiencing financial difficulties. The evaluation of whether a borrower is experiencing financial difficulties is based upon individual facts and circumstances and requires the use of judgment when determining if a modification of the borrower's loan should be accounted for and reported as a TDR.

In the Call Report, until a loan that is a TDR is paid in full or otherwise settled, sold, or charged off, the loan must be reported in the appropriate loan category in Schedule RC-C, part I, items 1 through 9, and in the appropriate loan category in:

- Schedule RC-C, part I, Memorandum item 1, if it is in compliance with its modified terms, or
- Schedule RC-N, Memorandum item 1, if it is not in compliance with its modified terms.

However, a loan that is a TDR (for example, because of a modification that includes a reduction in principal) that yields a market interest rate at the time of restructuring and is in compliance with its modified terms need not continue to be reported as a TDR in Schedule RC-C, part I, Memorandum item 1, in calendar years after the year in which the restructuring took place. To be considered in compliance with its modified terms, a loan that is a TDR must be in accrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms.

A loan restructured in a TDR is an impaired loan. Thus, all TDRs must be measured for impairment in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan," as amended), and the Glossary entry for "Loan Impairment."

For further information, see the Glossary entry for "Troubled Debt Restructurings" and the instructions for Schedules RC-C, part I, and RC-N.

**Troubled Debt Restructurings and Accounting Standards Update No. 2011-02**

In April 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-02, “A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring,” to provide additional guidance to help creditors determine whether a concession has been granted to a borrower and whether a borrower is experiencing financial difficulties. The guidance is also intended to reduce diversity in practice in identifying and reporting TDRs. This ASU is effective for public companies for interim and annual periods beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption for purposes of identifying TDRs. The measurement of impairment for any newly identified TDRs resulting from retrospective application will be applied prospectively in the first interim or annual period beginning on or after June 15, 2011. (For most public institutions, the ASU takes effect July 1, 2011, but retrospective application begins as of January 1, 2011.) Nonpublic companies should apply the new guidance for annual periods ending after December 15, 2012, including interim periods within those annual periods. (For most nonpublic institutions, the ASU will take effect January 1, 2012.) Early adoption of the ASU is permitted for both public and nonpublic entities. Nonpublic entities that adopt early are subject to a retrospective identification requirement.

Institutions are expected to continue to follow the accounting and reporting guidance on TDRs in the preceding section of these Supplemental Instructions and in the Call Report instruction book. To the extent the guidance in the ASU differs from an institution’s existing accounting policies and practices for identifying TDRs, the institution will be expected to apply the ASU for Call Report purposes in accordance with the standard’s effective date and transition provisions, which are outlined above. To the extent that an institution’s existing accounting policies and practices are consistent with guidance in the ASU, the institution should continue to follow its existing policies and practices.

ASU 2011-02 reiterates that the two conditions mentioned in the preceding section, “Troubled Debt Restructurings and Current Market Interest Rates,” must exist in order for a loan modification to be deemed a TDR: (1) an institution must grant a concession to the borrower as part of the modification and (2) the borrower must be experiencing financial difficulties. The ASU explains that an institution may determine that a borrower is experiencing financial difficulties if it is probable that the borrower will default on any of its debts in the foreseeable future. The borrower does not have to be in default at the time of the modification. Other possible factors that should be considered in evaluating whether a borrower is experiencing financial difficulties is if the borrower has declared (or is in the process of declaring) bankruptcy, the creditor does not expect the borrower’s cash flows to be sufficient to service its debt under the existing terms, or there is substantial doubt about an entity’s ability to continue as a going concern.

Another important aspect of the ASU is that it prohibits financial institutions from using the effective interest rate test included in the TDR guidance for borrowers in ASC Subtopic 470-60, Debt – Troubled Debt Restructurings by Debtors, when determining whether the creditor has granted a concession as part of a loan modification. However, as explained in ASU 2011-02, if a borrower does not have access to funds at a market rate of interest for similar debt, the rate on the modified loan is considered to be a below-market rate and may be an indicator that the institution has granted a concession to the borrower. In this situation, a creditor must consider all aspects of the loan modification in determining whether it has granted a concession.

Furthermore, the ASU provides new guidance regarding insignificant delays in payment as part of a loan modification. If, after analysis of all facts and circumstances, a creditor determines that a delay in payment is insignificant, the creditor has not granted a concession to the borrower. This determination requires judgment and should consider many factors, including, but not limited to, the amount of the delayed payments in relation to the loan’s unpaid principal or collateral value, the frequency of payments due on the loan, the original contractual maturity, and the original expected duration of the loan.

For additional information, institutions should refer to ASU 2011-02, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

## Reporting Term Deposits

The Federal Reserve Banks offer interest-bearing term deposits to eligible institutions through the Term Deposit Facility (TDF). A term deposit is a deposit with a specific maturity date. Term deposits offered through the TDF should be treated as balances due from a Federal Reserve Bank for Call Report purposes. Accordingly, term deposits should be reported in Schedule RC, Balance Sheet, item 1.b, "Interest-bearing balances," and in Schedule RC-A, Cash and Balances Due From Depository Institutions, item 4, "Balances due from Federal Reserve Banks," on the FFIEC 031 and FFIEC 041 reporting forms. The earnings on these term deposits should be reported in Schedule RI, Income Statement, item 1.c, "Interest income on balances due from depository institutions."

## Reporting Purchased Subordinated Securities in Schedule RC-S

In item 9 of Schedule RC-S, Servicing, Securitization, and Asset Sale Activities, the agencies collect data on the maximum amount of institutions' credit exposures arising from credit enhancements they have provided to other institutions' securitization structures, including those used in structured finance programs (other than asset-backed commercial paper programs, which are covered in Memorandum item 3 of the schedule). The types of credit enhancements to be reported in item 9 include purchased subordinated securities. Examples of purchased subordinated securities include, but are not limited to, the mezzanine and subordinate tranches of private-label mortgage-backed securities and collateralized debt obligations. A so-called senior tranche of a securitization or structured finance program is not a subordinated security provided it cannot absorb credit losses prior to another designated senior tranche.

Institutions should ensure that they report in Schedule RC-S, item 9, the carrying value of their holdings of purchased subordinated securities issued in connection with other institutions' securitization and structured finance transactions (other than asset-backed commercial paper programs). Holdings of purchased subordinated securities that serve as credit enhancements for asset-backed commercial paper programs should be reported in Memorandum item 3.a of Schedule RC-S.

## Prepaid Deposit Insurance Assessments

In November 2009, the FDIC adopted a final rule requiring insured depository institutions (except those that are exempted) to prepay an FDIC-determined estimate of their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. Each institution's regular risk-based deposit insurance assessment for the third quarter of 2009, which is paid in arrears, also was paid on December 30, 2009. The original full amount of each institution's prepaid assessment was included on its Quarterly Certified Statement Invoice for the third quarter 2009 Insurance Period, which was available on *FDICconnect*, the FDIC's e-business portal, as of December 15, 2009.

Each institution should record the estimated expense for its regular quarterly risk-based assessment for each calendar quarter through a charge to expense during that quarter and a corresponding credit to its prepaid assessments asset (or to an accrued expense payable if it has no prepaid assessments asset). As a result of the interaction between the prepaid assessments and the regular quarterly assessments, the remaining amount of the prepaid assessments asset that an institution should report as a prepaid expense in its September 30, 2011, Call Report normally should be:

- The remaining balance of "Prepaid Assessment Credits" shown on the Summary Statement of Assessment Credits page of the institution's Quarterly Certified Statement Invoice for the April 1 through June 30, 2011, Insurance Period, which was available on *FDICconnect* as of September 15, 2011;
- Less the estimated amount of the institution's regular quarterly assessment for the third quarter of 2011 (which should have been accrued as a charge to expense during the third quarter of 2011). The quarterly assessment for the third quarter of 2011 should be estimated based on the provisions of the FDIC's February 2011 final rule that redefined the deposit insurance assessment base for all insured institutions and revised the assessment system for large institutions. For further information on this final rule, see FDIC Financial Institution Letter FIL-8-2011 dated February 9, 2011, which can be accessed at <http://www.fdic.gov/news/news/financial/2011/fil11008.html>.

An institution's prepaid expense asset should be reported in Schedule RC-F, item 6, "All other assets," and, if it is greater than \$25,000 and exceeds 25 percent of the amount reported in item 6, it also should be reported in Schedule RC-F, item 6.f, "Prepaid deposit insurance assessments." The year-to-date deposit insurance assessment expense for 2011 should be reported in Schedule RI, item 7.d, "Other noninterest expense."

When completing Schedule RC-R, Regulatory Capital, an institution may assign a zero-percent risk weight to the amount of its prepaid deposit insurance assessments asset in item 42 of this schedule.

For further information on the FDIC's prepaid assessments final rule, institutions should refer to FDIC Financial Institution Letter (FIL) 63-2009 at <http://www.fdic.gov/news/news/financial/2009/fil09063.html>. For further guidance on reporting regular quarterly deposit insurance assessments, institutions should refer to the Call Report Supplemental Instructions for September 30, 2009, at [http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_041\\_suppinst\\_200909.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.pdf).

### **Consolidated Variable Interest Entities**

The assets and liabilities of an institution's consolidated variable interest entities (VIEs), if any, should be reported on the Call Report balance sheet (Schedule RC) in the balance sheet category appropriate to the asset or liability. Similarly, the interest and noninterest income and expenses of consolidated VIEs, including provisions for loan and lease losses, should be reported on the Call Report income statement (Schedule RI) in the category appropriate to the income or expense. In addition, institutions must report data on the assets and liabilities of their consolidated VIEs in Call Report Schedule RC-V, Variable Interest Entities. In Schedule RC-V, an institution must report separately by balance sheet category (a) the assets of its consolidated VIEs that can be used only to settle obligations of the consolidated VIE and (b) the liabilities of its consolidated VIEs for which creditors do not have recourse to the general credit of the primary beneficiary. An institution must also report the total amounts of all other assets and all other liabilities of its consolidated VIEs that do not meet these conditions. For further information, please refer to the instructions for Schedule RC-V in the Call Report instruction book.

In addition, when the assets of a consolidated VIE can be used only to settle obligations of that VIE, these assets are considered pledged assets for Call Report purposes. Accordingly, held-to-maturity and available-for-sale securities, held-for-sale and held-for-investment loans and leases, and trading assets of consolidated VIEs that can be used only for this purpose should be reported as pledged assets in Schedule RC-B, Memorandum item 1; Schedule RC-C, part I, Memorandum item 14; and Schedule RC-D, Memorandum item 4, respectively.

### **Accounting Standards Codification™**

In June 2009, the FASB issued Statement No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles" (FAS 168), to establish the FASB Codification as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (U.S. GAAP). The FASB Codification reorganizes existing U.S. accounting and reporting standards issued by the FASB and other related private-sector standard setters, and all guidance contained in the FASB Codification carries an equal level of authority. All previously existing accounting standards documents are superseded as described in FAS 168. All other accounting literature not included in the FASB Codification is nonauthoritative. The FASB Codification can be accessed at <http://asc.fasb.org/>.

The FASB Codification is effective for interim and annual periods ending after September 15, 2009. The agencies have incorporated the FASB Codification references throughout the entire Call Report instruction book while retaining references to the pre-Codification standards. In addition, the agencies have published on the FFIEC's Web site a list of all pre-Codification references to authoritative accounting literature found in the Call Report instruction book (as of March 2010) and the corresponding FASB Codification references. This reference guide can be accessed at [http://www.ffiec.gov/pdf/ffiec\\_forms/CodificationIntroduction\\_201006.pdf](http://www.ffiec.gov/pdf/ffiec_forms/CodificationIntroduction_201006.pdf).

### Other-Than-Temporary Impairment

When the fair value of an investment in an individual available-for-sale or held-to-maturity security is less than its cost basis, the impairment is either temporary or other-than-temporary. To determine whether the impairment is other-than-temporary, an institution must apply the applicable accounting guidance as discussed in the Glossary entry for “Securities Activities.”

For regulatory capital purposes, any other-than-temporary impairment losses on both held-to-maturity and available-for-sale debt securities related to factors other than credit that are reported, net of applicable taxes, in Schedule RC, item 26.b, “Accumulated other comprehensive income,” should be included in Schedule RC-R, item 2, together with the net unrealized gains (losses) on available-for-sale securities that are reported in item 2. Furthermore, when determining the regulatory capital limit for deferred tax assets, an institution may, but is not required to, adjust the reported amount of its deferred tax assets for any deferred tax assets arising from other-than-temporary impairment losses reported, net of applicable taxes, in Schedule RC, item 26.b in accumulated other comprehensive income. An institution must follow a consistent approach over time with respect to this adjustment to the reported amount of deferred tax assets.

In addition, when risk-weighting a held-to-maturity debt security for which an other-than-temporary impairment loss related to factors other than credit was previously recognized in other comprehensive income, include the carrying value of the debt security in column A of Schedule RC-R, item 35. Then, include the pre-tax amount of this impairment loss that has not yet been accreted from accumulated other comprehensive income to the carrying value of the security as a negative number in column B of Schedule RC-R, item 35, and include the amortized value of the security in the appropriate risk-weight category column of item 35 (provided the security is not a purchased subordinated security that is not eligible for the ratings-based approach). For a security on which an other-than-temporary impairment loss has been recognized, amortized cost is the security’s previous amortized cost as of the date of the most recently recognized other-than-temporary impairment loss less the amount of impairment loss recognized in earnings adjusted for subsequent accretion of interest income and payments received on the security.

### Treasury Department’s Capital Purchase Program

On October 14, 2008, the U.S. Treasury Department announced a Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008 (<http://www.treasury.gov/press-center/press-releases/Pages/hp1207.aspx>). The CPP was designed to encourage U.S. financial institutions to build capital to buttress the financial strength of the banking system, increase the flow of financing to U.S. businesses and consumers, and support the U.S. economy.

For institutions (other than Subchapter S and mutual institutions) that are not subsidiaries of holding companies that are approved for participation in the CPP, the Treasury Department purchased noncumulative perpetual preferred stock and warrants to purchase common stock or noncumulative perpetual preferred stock, depending on whether the institution’s common stock is “publicly traded.” For such institutions that are not publicly traded, the Treasury Department’s intent was to immediately exercise the warrants for noncumulative perpetual preferred stock (“warrant preferred stock”). The noncumulative perpetual preferred stock issued to the Treasury Department, including warrant preferred stock, should be reported on the Call Report balance sheet (Schedule RC) in item 23, “Perpetual preferred stock and related surplus.” For regulatory capital purposes, the noncumulative perpetual preferred stock issued to the Treasury Department qualifies as a component of Tier 1 capital and should be included in the amount reported for “Total equity capital” in item 1 of Schedule RC-R, Regulatory Capital.

Warrants issued by a publicly traded institution should be included in equity capital on the Call Report balance sheet (Schedule RC) provided (1) the institution has sufficient authorized but unissued shares of the common stock to allow exercise of the warrants and (2) any other necessary shareholder approvals have been obtained prior to either the issuance of the warrants or the end of the fiscal quarter in which the warrants are issued. The amount assigned to warrants classified as equity capital should be included in Schedule RC, item 25, “Surplus.” Warrants that are not eligible to be classified as equity capital should be reported on the Call Report balance sheet in item 20, “Other liabilities,” and in Schedule RC-G, item 4, “All other liabilities” (where the warrants should be itemized and described if their amount is greater than \$25,000 and exceeds 25 percent of item 4).

For Subchapter S and mutual institutions, the full amount of all subordinated debt securities issued to the Treasury Department under the CPP should be reported in Schedule RC, item 19, “Subordinated notes and debentures.” For regulatory capital purposes, report in Schedule RC-R, item 12, “Qualifying subordinated debt and redeemable preferred stock,” the portion of such subordinated debt securities that qualify for inclusion in Tier 2 capital based on the capital guidelines of the reporting institution’s primary federal supervisory authority.

### **Reporting Defined Benefit Postretirement Plans**

ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” (FAS 158)) requires an institution that sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, to recognize the funded status of each such plan on its balance sheet. An overfunded plan is recognized as an asset while an underfunded plan is recognized as a liability. As of the end of the fiscal year when an institution initially applied former FAS 158, the previously recognized postretirement plan amounts must be adjusted to recognize gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in the net periodic benefit cost of its plans. These adjustment amounts are recognized directly in equity capital as components of the ending balance of accumulated other comprehensive income (AOCI), net of tax. Thereafter, an institution must recognize certain gains and losses and prior service costs or credits that arise during each reporting period, net of tax, as a component of other comprehensive income (OCI) and, hence, AOCI. Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of the plans’ net periodic benefit cost. For further information on accounting for defined benefit postretirement plans, institutions should refer to ASC Topic 715, Compensation-Retirement Benefits (formerly FAS 158; FASB Statement No. 87, “Employers’ Accounting for Pensions”; and FASB Statement No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions”).

In addition, according to an interim decision announced by the banking agencies on December 14, 2006, institutions should reverse the effects on AOCI of ASC Subtopic 715-20 for regulatory capital purposes, including for purposes of reporting and measuring the numerators and denominators for the leverage and risk-based capital ratios. The intent of the reversal is to neutralize the effect on AOCI of the application of ASC Subtopic 715-20 on regulatory capital. Institutions should exclude from regulatory capital any amounts recorded in AOCI resulting from the initial and subsequent application of both the funded status and measurement date provisions of ASC Subtopic 715-20. For Call Report purposes, these excluded amounts should be reported in item 4 of Schedule RC-R, Regulatory Capital, together with the accumulated net gains (losses) on cash flow hedges. If the sum of the amounts included in AOCI (Schedule RC, item 26.b) for defined benefit postretirement plans under ASC Subtopic 715-20 and for cash flow hedges represents a net gain (i.e., a net increase) in reported equity capital, this sum should be reported as a positive value in item 4 of Schedule RC-R. If the sum represents a net loss (i.e., a decrease) in reported equity capital, it should be reported as a negative number in item 4 of Schedule RC-R.

In addition, when determining the regulatory capital limit for deferred tax assets, an institution may, but is not required to, adjust the amount of its deferred tax assets for any deferred tax assets or liabilities associated with any amounts recorded in AOCI resulting from the application of ASC Subtopic 715-20 that are excluded from regulatory capital (and reported in Schedule RC-R, item 4) in accordance with the preceding guidance. An institution must follow a consistent approach over time with respect to such adjustments.

For purposes of reporting and measuring the denominators for the risk-based and leverage ratios, institutions should also adjust their assets for any amounts recorded in AOCI affecting assets resulting from the initial and subsequent application of the funded status and measurement date provisions of ASC Subtopic 715-20. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying ASC Subtopic 715-20 should be reported as an adjustment to assets in item 42 of Schedule RC-R, column B, and should also be reported in item 26 of Schedule RC-R. For example, derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying ASC Subtopic 715-20 should be recorded as a negative amount in item 42, column B, of Schedule RC-R and as a positive amount in item 42, column F. This amount should also be added back to average total assets for leverage capital purposes by reporting it as a negative number in item 26 of Schedule RC-R. As another example, the portion

of a benefit plan surplus asset that is included in Schedule RC, item 26.b as an increase to AOCI and is included in item 42, column A, of Schedule RC-R should be excluded from risk-weighted assets by reporting the amount as a positive number in item 42, column B. This amount should also be deducted from average total assets for leverage capital purposes by reporting the amount as a positive number in item 26 of Schedule RC-R. In addition, the adjustments for purposes of calculating risk-based capital and the leverage ratio described above should be adjusted for subsequent amortization of such amounts from AOCI into earnings.

**Amending Previously Submitted Report Data**

Should your institution find that it needs to revise previously submitted Call Report data, please make the appropriate changes to the data, ensure that the revised data passes the FFIEC-published validation criteria, and submit the revised data file to the CDR using one of the two methods described in the banking agencies' Financial Institution Letter for the September 30, 2011, report date. For technical assistance with the submission of amendments to the CDR, please contact the CDR Help Desk by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at CDR.Help@ffiec.gov.

**Other Reporting Matters**

For the following topics, institutions should continue to follow the guidance in the specified Call Report Supplemental Instructions:

- Accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* – Supplemental Instructions for December 31, 2006 ([http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_041\\_suppinst\\_200612.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200612.pdf))
- Tobacco Transition Payment (Buyout) Program – Supplemental Instructions for March 31, 2006 ([http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_041\\_suppinst\\_200603.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf))
- Commitments to originate and sell mortgage loans – Supplemental Instructions for March 31, 2006 ([http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_041\\_suppinst\\_200603.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf)) and June 30, 2005 ([http://www.ffiec.gov/PDF/FFIEC\\_forms/FFIEC031\\_041\\_suppinst\\_200506.pdf](http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200506.pdf))

**Call Report Software Vendors**

For information on available Call Report preparation software products, institutions should contact:

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67 Wall Street, 17th Floor  
New York, New York 10005  
Telephone: (212) 248-4188  
[www.axiomsl.com](http://www.axiomsl.com)

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