



Summary of Changes to Call Report Schedule RC-R, Part II, and Schedule RC-L Effective March 31, 2015

The version of Schedule RC-R, Part II, in effect through December 31, 2014, collected data on the allocation by risk-weight category of balance sheet asset amounts and credit equivalent amounts of derivatives and off-balance-sheet items. Institutions then calculated and reported their risk-weighted assets by risk-weight category, market risk equivalent assets (if applicable), and total risk-weighted assets. Certain data on derivative contracts were collected in the Memoranda section of Part II.

Subject to approval by the U.S. Office of Management and Budget (OMB), the revised version of Part II of Schedule RC-R that takes effect as of March 31, 2015, will retain the same overall approach to the measurement of risk-weighted assets as in the previous version of Part II. However, to align revised Part II with the banking agencies' revised regulatory capital rules, Part II will include an increased number of risk-weight categories to which on-balance sheet assets, derivatives, off-balance sheet items, and other items subject to risk weighting would be allocated. In many cases, the new risk-weight categories apply only in limited circumstances rather than to each category of assets, derivatives, off-balance-sheet items, and other items.

In the on-balance sheet asset section of revised Schedule RC-R, Part II (items 1 through 8 of Part II), greater detail will be collected on both held-for-sale and held-for-investment loans and leases than in the previous version of the schedule (items 4.a through 4.d and 5.a through 5.d, respectively, of Part II). Institutions will separately report and allocate by risk-weight category their residential mortgage loan exposures, high volatility commercial real estate loan exposures, loan and lease exposures past due 90 days or more or on nonaccrual, and all other loan and lease exposures. In addition, although securities purchased under agreements to resell (reverse repos) will be reported initially as on-balance sheet assets (item 3.b of Part II), as discussed below they will be subject to risk weighting as a component of repo-style transactions (item 16 of Part II) in the section of revised Schedule RC-R, Part II, for derivatives, off-balance sheet items, and other items subject to risk weighting.

Revised Part II of Schedule RC-R also includes items for reporting on- and off-balance sheet securitization exposures (items 9.a through 9.d and item 10, respectively, of Part II) separately from all other exposures subject to risk weighting. As a consequence, all securitization exposures held as on-balance sheet assets are to be excluded from the asset items 1 through 8 of Part II. Similarly, all derivatives, off-balance sheet items, and other items subject to risk-weighting that are securitization exposures are to be excluded from items 12 through 21 of Part II. In general, mortgage-backed and asset-backed securities that involve the tranching of credit risk are considered securitization exposures under the revised regulatory capital rules. For purposes of risk weighting securitization exposures, there are three different approaches from which an institution must choose (Columns Q, T, and U of Part II).

In the section of revised Part II of Schedule RC-R covering derivatives, off-balance sheet items, and other items subject to risk weighting (items 12 through 22 of Part II), commercial letters of credit with an original maturity exceeding one year will be reported as part of unused commitments with an original maturity exceeding one year (item 18.c of Part II). Because some

unused commitments with an original maturity of one year or less will now be subject to a 20 percent credit conversion factor under the revised regulatory capital rules, Part II will begin to capture data on the face value or notional amount of, credit equivalent amount of, and risk-weight category allocations for such unused commitments (item 18.a of Part II). Institutions also would report the amount of unconditionally cancelable commitments (item 19 of Part II). Repo-style transactions (which include securities lent, securities borrowed, securities purchased under agreements to resell, and securities sold under agreements to repurchase) and unsettled transactions constitute new types of items subject to risk weighting (items 16 and 22, respectively, of Part II). The credit equivalent amounts and risk-weight category allocations for over-the-counter (OTC) and centrally cleared derivatives will be reported separately (items 20 and 21 of Part II). Similarly, the remaining maturities of OTC and centrally cleared derivatives will be reported separately by underlying risk exposure in the Memoranda section of revised Part II (Memorandum items 2 and 3 of Part II).

Under the revised regulatory capital rules, certain exposures are subject to risk-weighting approaches that may produce risk-weighted asset amounts that differ from those resulting from the application of the standard risk-weight categories. These exposures include, for example, investments in mutual funds and other investment funds, separate account bank-owned life insurance, and exposures collateralized by securitization exposures or mutual funds. For these exposures, the exposure amounts and risk-weighted asset amounts (Columns R and S of Part II) will be reported separately from the standard risk-weight category allocations (Columns C through Q of Part II) that apply to the other exposures included within the same asset, derivative, off-balance sheet item, or other item category.

As with the previous version of Schedule RC-R, institutions will report risk-weighted asset totals by risk-weight category in the section of revised Part II that follows the sections for allocating assets, derivatives, off-balance-sheet items, and other items subject to risk weighting by risk-weight category (item 23 of Part II). Using these category totals, institutions will then calculate their total risk-weighted assets (item 31 of Part II) after taking into account any standardized market risk-weighted assets (if applicable), excess allowance for loan and lease losses, and allocated transfer risk reserve (items 27, 29, and 30, respectively, of Part II).

Through December 31, 2014, securities borrowed were reported and disclosed in Schedule RC-L (item 9) only if the amount exceeded specified thresholds. Effective March 31, 2015, subject to OMB approval, institutions will be required to report securities borrowed in Schedule RC-L regardless of amount (item 6.b). Securities borrowed also will be included in repo-style transactions in revised Part II of Schedule RC-R (item 16 of Part II).

For further information, institutions should refer to the reporting forms for revised Part II of Schedule RC-R and the limited revision to Schedule RC-L, as well as the draft instructions, which are available on the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm).