categories of securities to be included in Schedule RC-K, item 3, will correspond to the securities reported in Schedule RC-B, item 4. The categories of securities to be included in Schedule RC-K, item 4, will correspond to the securities reported in Schedule RC-B, items 3, 5, 6, and 7.

Quarterly Averages for Loans – At present, banks with domestic offices only and less than $300 million in total assets are permitted to report loan information using general loan categories in Schedules RC-K, RC-N, RI, and RI-B, part I, on the FFIEC 033 and 034 report forms.[2] These banks define for themselves which of their loans to include in the general loan categories based upon their own individual internal loan systems. In contrast, banks with foreign offices or with $300 million or more in total assets that file the FFIEC 031 and 032 report forms must provide loan information in these four schedules using the standard loan category definitions used in the loan schedule, Schedule RC-C.

The agencies are adopting uniform loan categories and definitions for all banks using the standard loan categories from Schedule RC-C for the reporting of loan detail in Schedules RC-K, RC-N, RI, and RI-B, part I. To ease the transition to the use of standard loan category definitions for reporting quarterly averages in Schedule RC-K on the FFIEC 041 report form, banks that currently file the FFIEC 033 and 034 report forms will be permitted to use their best efforts through year-end 2001 to report their quarterly averages for loans. However, banks with domestic offices only and less than $25 million in assets (as of June 30, 2000) will not be required to report quarterly averages of loans by loan category until the March 31, 2002, report date. During 2001, these banks will continue to report only a quarterly average for total loans.

On Schedule RC-K as it will be revised effective March 31, 2001, all banks – except those with domestic offices only and less than $25 million in total assets – will report a quarterly average for total loans (in domestic offices) and for the five following categories of loans (in domestic offices):

a. "Loans secured by real estate" as defined for Schedule RC-C, part I, item 1, column B,
b. "Loans to finance agricultural production and other loans to farmers" as defined for Schedule RC-C, part I, item 3, column B (except as noted below),
c. "Commercial and industrial loans" as defined for Schedule RC-C, part I, item 4, column B,
d. "Credit cards" to individuals for household, family, and other personal expenditures as defined for Schedule RC-C, part I, item 6.a, column B, and
e. "Other" consumer loans as defined for Schedule RC-C, part I, items 6.b and 6.c, column B.

Banks with foreign offices will also continue to report a quarterly average for their total loans in foreign offices. The existing Schedule RC-K threshold for reporting a quarterly average for agricultural loans will be retained, which means that banks that currently file the FFIEC 033 and 034 report forms must report a quarterly average for "Loans to finance agricultural production and other loans to farmers" only if these loans are more than 5 percent of total loans.

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[2] On the FFIEC 034 report form, banks with less than $25 million in total assets are currently required to report only a quarterly average for "Total loans, net of unearned income," and need not provide quarterly averages by loan category.

more past due and still accruing or that are in nonaccrual status has been publicly available since June 30, 1983. In order to give the public more complete information on the level of and trends in bank asset quality at individual institutions, the agencies will eliminate the confidential treatment for the 30-89 days past due (and restructured) items beginning with the amounts reported as of March 31, 2001. For periods prior to March 31, 2001, these items will remain confidential on an individual bank basis.

Loan Categories Used in Schedule RC-N – As discussed above under Schedule RC-K – Quarterly Averages, the agencies are adopting uniform loan categories and definitions for all banks using the standard loan categories from Schedule RC-C for the reporting of loan detail in Schedules RC-K, RC-N, RI, and RI-B, part I. This will end the separate loan reporting scheme used in these four schedules by banks that currently file the FFIEC 033 and 034 report forms.

Effective March 31, 2001, all banks will report past due and nonaccrual information for the following categories of loans and leases:

a. "Loans secured by real estate" – as defined for Schedule RC-C, part I, item 1 – using the six-way breakdown of real estate loans (in domestic offices) currently contained in the Memoranda section of Schedule RC-N (Memorandum item 4 on the FFIEC 033 and 034 report forms; Memorandum item 3 on the FFIEC 031 and 032 report forms)[3],
b. "Loans to depository institutions and acceptances of other banks" as defined for Schedule RC-C, part I, item 2,
c. "Commercial and industrial loans" as defined for Schedule RC-C, part I, item 4,
d. "Credit cards" to individuals for household, family, and other personal expenditures as defined for Schedule RC-C, part I, item 6.a,
e. "Other" consumer loans as defined for Schedule RC-C, part I, items 6.b and 6.c,
f. "Loans to foreign governments and official institutions" as defined for Schedule RC-C, part I, item 7,
g. "All other loans," and
h. "Lease financing receivables" as defined for Schedule RC-C, part I, item 10.

On the FFIEC 041 report form, the "All other loans" category in Schedule RC-N will include "Loans to finance agricultural production and other loans to farmers," "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and "Other loans" as defined for Schedule RC-C, part I, items 3, 8, and 9, respectively. However, a Schedule RC-N memorandum item will collect information on the "Loans to finance agricultural production and other loans to farmers" that are included in the past due and nonaccrual "All other loans." This FFIEC 041 memorandum item will be completed by banks with $300 million or more in total assets and by those smaller banks that have agricultural loans (as defined for Schedule RC-C, part I, item 3) exceeding 5 percent of total loans. This percentage threshold is unchanged from the agricultural loan reporting threshold currently applicable to banks that file the FFIEC 033 and 034 report forms.

In contrast, on the FFIEC 031 report form, the "All other loans" category will include only "Obligations (other than securities and leases) of states and political subdivisions in the U.S."

[3] In addition to the six categories of real estate loans in the current breakdown, banks that now file the FFIEC 031, i.e., banks with foreign offices, will also separately report their past due and nonaccrual loans secured by real estate in foreign offices.

and "Other loans." Past due and nonaccrual "Loans to finance agricultural production and other loans to farmers" will be reported in a separate loan category within the main body of Schedule RC-N.

In addition, banks that currently file the FFIEC 031 and 032 report forms will also continue to report past due and nonaccrual information based on the domicile of the borrower for the following four loan categories in revised Schedule RC-N: (a) "Loans secured by real estate," (b) "Loans to depository institutions and acceptances of other banks," (c) "Commercial and industrial loans," and (d) "Lease financing receivables."

To ease the transition to the use of standard loan category definitions for reporting past due and nonaccrual loan data in Schedule RC-N on the FFIEC 041 report form, banks with domestic offices only and less than $300 million in total assets (as of June 30, 2000) that currently file the FFIEC 033 and 034 report forms are permitted to use their best efforts through year-end 2001 to report this loan information by loan category.

Memorandum item 5, "Interest rate, foreign exchange rate, and other commodity and equity contracts: Fair value of amounts carried as assets" – Banks that currently file the FFIEC 031 and 032 report the "Book value of amounts carried as assets" and the "Replacement cost of contracts with a positive replacement cost" for their past due derivative contracts in Memorandum items 4.a and 4.b, respectively. Once banks adopt FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, all of their derivative contracts will be carried on the balance sheet at fair value. Since the replacement cost of a derivative contract is its fair value and its book value will also be its fair value, these two existing memorandum items will duplicate each other. Therefore, Memorandum item 4.b will be deleted, Memorandum item 4.a will be renumbered as Memorandum item 5, and its caption will be revised to read "Fair value of amounts carried as assets."

Schedule RC-R – Regulatory Capital

The agencies have adopted a revised regulatory capital schedule (Schedule RC-R) that incorporates many of the reporting concepts of the Call Report's optional regulatory capital worksheet as well as some of those contained in the regulatory capital schedule currently filed by bank holding companies on the FR Y-9C report form. While all banks will be required to complete the entire revised regulatory capital schedule, each bank should decide how detailed a risk-weight analysis it wishes to perform in the risk-based capital portion of Schedule RC-R.

In general, the revised Schedule RC-R format uses a systematic, step-by-step "building block" approach under which all banks will report the various components and adjustments, including those for financial subsidiaries, that determine Tier 1, Tier 2, and total capital, as well as average total assets for the leverage ratio and total risk-weighted assets. This means that all bank capital ratios – the Tier 1 leverage ratio, the Tier 1 risk-based capital ratio, and the total risk-based capital ratio -- will be derived directly from the items that banks report on Schedule RC-R. These ratios will be disclosed in items 31, 32, and 33 of the schedule.

At present, items 3.a through 3.f of Schedule RC-R require banks to report the major capital categories – Tier 1, Tier 2, Tier 3, and total risk-based capital – as well as risk-weighted assets and average total assets, which is used in the Tier 1 leverage ratio. The amounts reported in these "self-reported" capital items should be the amounts determined by banks for their own internal capital analyses, consistent with the applicable capital standards. The first part of the revised regulatory capital schedule (items 1 through 21) will essentially replicate the steps that banks already go through to determine the amounts of these major capital categories on a "self-reported" basis. This is followed (in items 22 through 27) by a computation of average total assets as defined for leverage capital purposes. For banks with financial subsidiaries, the adjustments to total risk-based capital, risk-weighted assets, and average total assets that must be made to meet the capital calculation requirements of the Gramm-Leach-Bliley Act are reported in items 28 through 30.

To facilitate the step-by-step "building block" approach to computing these capital categories and average total assets in items 1 through 27, several items that are currently located in other Call Report schedules, but are collected principally for regulatory capital calculation purposes, will be moved to their more logical position in revised Schedule RC-R. For example, as discussed above under Schedule RC-F – Other Assets, the item for "Deferred tax assets disallowed for regulatory capital purposes" that is currently collected in that schedule will now be included in Schedule RC-R.

Existing items 4 through 9 of Schedule RC-R, in which banks that must complete the entire schedule report the amount of assets and credit equivalent amounts of off-balance sheet items allocated to the four risk weight categories, plus the amount of assets not subject to risk-weighting, will be replaced with a new risk-weighting format. This new format closely resembles the format of Part 2 of the current Call Report optional regulatory capital worksheet and portions of the risk-based capital schedule (Schedule HC-I) of the bank holding company FR Y-9C report. As a starting point, most banks' Call Report software should take the carrying values of banks' balance sheet asset categories, as reported on Schedule RC, and automatically carry these amounts forward to items 34 through 42, column A, of the on-balance sheet portion of revised Schedule RC-R. Banks will then allocate these asset values to the appropriate risk weight categories (items 34 through 42, columns C through F) consistent with the risk-based capital guidelines and to the same extent as in their own internal capital analyses. This step is part of the same process banks currently use when determining their net risk-weighted assets for "self-reported" item 3.d.(1) of Schedule RC-R. During the allocation of asset values in items 34 through 42, column B of the on-balance sheet portion of revised Schedule RC-R will be used by banks to report assets that are not subject to risk weighting under the capital guidelines. For banks that currently complete Schedule RC-R in its entirety, column B is equivalent to existing item 8 of Schedule RC-R.

The next portion of revised Schedule RC-R covers derivatives and off-balance sheet items that are subject to the risk-based capital requirements. Most banks' Call Report software should take the amounts of letters of credit, securities lent, and retained recourse on small business obligations sold that are reported in Schedules RC-L and RC-S and include these amounts in items 44 through 46, 48, and 49, column A, of the off-balance sheet portion of revised Schedule RC-R. Banks will need to identify the amounts of their "Risk participations in bankers acceptances acquired by the reporting institution," low-level recourse transactions, other financial assets sold with recourse, "All other off-balance sheet liabilities," and "Commitments with an original maturity exceeding one year" in items 47 and 50 through 53, column A, because these items are not reported elsewhere in the Call Report.

For the off-balance sheet items reported in items 44 through 53, column A, their credit equivalent amounts will be reported in column B after they have been calculated using the conversion factors shown in the schedule. Banks will determine the credit equivalent amount of their derivatives, if any, and report this amount in item 54, column B. Banks will then allocate these credit equivalent amounts to the appropriate risk weight categories in columns C through F. As with their on-balance sheet items, banks currently follow a similar allocation process for their off-balance sheet items when they calculate their net risk-weighted assets for "self-reported" item 3.d.(1) of Schedule RC-R.

After the risk-weighting allocation process has been completed, banks will total their assets, derivatives, and off-balance sheet items by risk weight category in item 55, columns C through F. The risk weight factors in item 56, columns C through F, will be applied to these four totals to arrive at "Risk-weighted assets by risk weight category" in item 57, columns C through F. Banks subject to the market risk capital rule will report their "Market risk equivalent assets" in item 58; other banks will report a zero in this item. Any "Excess allowance for loan and lease losses" and "Allocated transfer risk reserve" reported in items 60 and 61, respectively, will be deducted from risk-weighted assets before deductions in item 59 to arrive at "Total risk-weighted assets" in item 62.

Because the format used for allocating assets and off-balance sheet items to risk-weight categories in revised Schedule RC-R closely resembles the format of Part 2 of the current Optional Regulatory Capital Worksheet, banks may wish to refer to the instructions for Part 2 for further guidance on the risk-weighting process. In addition, the first part of revised Schedule RC-R, which involves the calculation of Tier 1, Tier 2, and total capital as well as average total assets for leverage capital purposes, is similar in many respects to Parts 1 and 3 of this capital worksheet. The most recent version of the capital worksheet can be accessed on the FDIC's Web site at http://www.fdic.gov/regulations/resources/call/1200complete.pdf. Copies can also be obtained by state member banks from their Federal Reserve District Bank and by national and FDIC-supervised banks from the FDIC's Reports Analysis and Quality Control Section in Washington, D.C.

However, banks should note that, for risk-based capital purposes, they are not required to identify each on-balance sheet asset, derivative contract, and off-balance sheet item that qualifies for a risk weight of less than 100 percent (50 percent for derivatives). Thus, when performing the risk-weight allocation process in revised Schedule RC-R, each bank should decide for itself how detailed an analysis of its assets, derivatives, and off-balance sheet items it wishes to undertake and how many items eligible for favorable risk weights it wishes to identify. In other words, a bank can choose from among its assets, derivatives, and off-balance sheet items that have a risk weight less than 100 percent which ones to risk-weight at an appropriate lower risk weight, or it can simply risk-weight some or all of these items at a 100 percent risk weight (50 percent for derivatives).

For example, banks with total assets of less than $1 billion currently calculate whether their total risk-based capital is greater than or equal to 8 percent of "adjusted total assets," as defined, in existing item 1 of Schedule RC-R. "Adjusted total assets" represents a simplified measure of risk-weighted assets because it applies risk weights of less than 100 percent to only selected assets and includes all derivatives and off-balance sheet items at their face or notional amount. As a result, a bank's "adjusted total assets" is greater than the amount of risk-weighted assets that would be determined from a more comprehensive calculation. Nevertheless, for many banks, the ratio of total risk-based capital to "adjusted total assets" is well in excess of both the 8 percent minimum total risk-based capital standard and the 10 percent total risk-based capital ratio required to be deemed "well capitalized" for prompt corrective action purposes.

Therefore, when allocating amounts by risk weight in revised Schedule RC-R, a bank may choose to follow a simplified risk-weighting process similar to the one now used to measure "adjusted total assets," provided it is satisfied with the resulting risk-based capital ratios in items 32 and 33. Under this approach, a bank would risk-weight all assets (other than cash and balances due from depository institutions, held-to-maturity securities, and available-for-sale securities) and the credit equivalent amounts of all off-balance sheet items at 100 percent in items 37 through 42 and 44 through 54 of Schedule RC-R. The only assets that the bank would risk-weight at less than 100 percent would be cash (currency and coin), U.S. Treasury securities, obligations issued by U.S. Government agencies, obligations issued by U.S. Government-sponsored agencies, mortgage-backed pass-through securities guaranteed by GNMA, mortgage-backed pass-through securities issued by FNMA and FHLMC, and other mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA. The bank will determine the amount of currency and coin to risk weight at zero percent either from its records or from Schedule RC-A, item 1.b, depending on whether it must complete Schedule RC-A. The amortized cost of the various types of securities that will be risk-weighted zero percent or 20 percent are reported in columns A and C of Schedule RC-B. Of course, a bank may go beyond this simplified process and risk-weight other eligible assets and off-balance sheet items at less than 100 percent.

The Memoranda section of current Schedule RC-R, in which banks report the current credit exposure and maturity information for derivative contracts covered by the risk-based capital standards, has been retained without change in revised Schedule RC-R.

Schedule RC-S – Securitization and Asset Sale Activities

New Call Report Schedule RC-S will comprehensively capture information related to bank securitization, asset sale, and servicing activities. This schedule's new reporting requirements will be implemented as of the June 30, 2001, report date. However, because banks currently report certain data related to securitizations, asset sales, and servicing in Schedules RC-L – Off-Balance Sheet Items – and RC-M – Memoranda, the items now used to collect these data will be moved to the Memoranda section of Schedule RC-S in the March 31, 2001, Call Report to avoid the loss of this information. As discussed below, some of these existing items will continue to be collected in subsequent quarters while others will be superseded by the new items in Schedule RC-S and will be discontinued after the March 31, 2001, report date.

Because Schedule RC-S collects data on specialized activities, many banks will find that most, if not all, of this schedule will not be applicable to them. Thus, none of the items in Schedule RC-S will be applicable to banks that have not securitized their own assets, have not sold assets with recourse or other credit enhancements in other types of sale transactions, do not service assets for others, and do not provide credit support or liquidity facilities to other institutions' securitizations or to commercial paper conduits.

Once Schedule RC-S is fully implemented as of June 30, 2001, banks involved in securitization, asset sale, and servicing activities will report quarter-end (or year-to-date) data for seven loan and lease categories similar to the manner in which they report their loan portfolios. These categories will cover 1-4 family residential loans, home equity lines, credit card receivables, auto loans, other consumer loans, commercial and industrial loans, and all other loans and all leases. For each of these categories, banks will report:

1. the outstanding principal balance of assets that they have sold and securitized with servicing retained or with recourse or seller-provided credit enhancements (item 1),
2. the amount of assets in these securitizations that are 30 through 89 days past due and 90 days or more past due (items 4.a and 4.b),
3. the year-to-date charge-offs and recoveries on assets in these securitizations (items 5.a and 5.b),
4. the maximum amount of credit exposure arising from credit enhancements to securitization structures, separately for those structures sponsored by the reporting bank – with a breakdown between enhancements in the form of retained interest-only strips and other enhancements (items 2.a and 2.b) -- and those sponsored by other institutions (item 9),
5. the amount of unused commitments to provide liquidity to the securitization structures, separately for those structures sponsored by the reporting bank (item 3) and those sponsored by other institutions (item 10), and
6. the outstanding principal balance of assets sold with recourse or other seller-provided credit enhancements that have not been securitized (item 11) and the maximum amount of credit exposure arising from these credit enhancements (item 12).

For three categories of securitizations -- home equity lines, credit card receivables, and commercial and industrial loans -- banks will also report information about their ownership (or seller's) interests, if any, in the securitization structures beginning June 30, 2001. Banks first will separately report the amount of their seller's interests that are carried as securities (available-for-sale, held-to-maturity, or trading) and as loans on the Call Report balance sheet (items 6.a and 6.b). For those seller's interests that are carried as securities, banks will also report the amount of the underlying loans that are 30 through 89 days past due and 90 days or more past due (items 7.a and 7.b) along with the year-to-date charge-offs and recoveries on the underlying loans (items 8.a and 8.b).

Information will also be collected in the Memoranda section of Schedule RC-S starting June 30, 2001, on bank involvement with asset-backed commercial paper conduits. Banks will report the maximum amount of credit exposure arising from credit enhancements provided to conduit structures (Memorandum item 3.a) and the amount of unused commitments to provide liquidity to conduit structures (Memorandum item 3.b). These amounts will be reported separately for those conduits sponsored by the bank or its affiliates and those sponsored by other institutions.

The remaining items in the Memoranda section of Schedule RC-S (Memorandum items 1, 2, 4, and 5) will be reported in the March 31, 2001, Call Report, although some will be discontinued after that report date.

Memorandum items 1.a and 1.b will collect the outstanding principal balance and amount of retained recourse on "Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994. This information, which is currently reported in items 9.c.(1) and (2) of Schedule RC-L, will be collected quarterly in Schedule RC-S beginning March 31, 2001.

Memorandum item 2.a, 2.b, and 2.c will collect data on assets that banks service for others. Banks will report information on 1-4 family residential mortgages serviced with recourse or other servicer-provided credit enhancements in Memorandum item 2.a and on those serviced without such credit enhancements in Memorandum item 2.b. These items are a condensed version of the six-way breakdown of residential mortgage servicing by type of servicing contract that banks now provide in item 4 of Schedule RC-M. Memorandum items 2.a and 2.b of Schedule RC-S will be collected quarterly from all banks effective March 31, 2001.

Memorandum item 2.c of Schedule RC-S will cover the servicing of other types of financial assets. This information is currently reported in Schedule RC-M, item 13, if the outstanding principal balance of the serviced assets is more than $10 million and exceeds 10 percent of total assets. This dual threshold will remain in effect for Memorandum item 2.c as of the March 31, 2001, report date. Then, beginning June 30, 2001, the 10 percent of total assets threshold will be eliminated and any bank that services more than $10 million in financial assets other than 1-4 family residential mortgages must complete Memorandum item 2.c.

Memorandum items 4 and 5 will be collected in the March 31, 2001, Call Report and will then be discontinued when the rest of Schedule RC-S is fully implemented. The information banks will report in Memorandum items 4.a.(1) and (2) and 4.b.(1) and (2) on "Financial assets transferred with recourse that have been treated as sold for Call Report purposes" is currently collected in Schedule RC-L, items 9.a.(1) and (2) and 9.b.(1) and (2). In Memorandum item 5 of Schedule RC-S, banks with $300 million or more in assets or with foreign offices will report the amount of "Loans extended under credit cards and related plans to individuals for household, family, or other personal expenditures that have been securitized and sold (with servicing retained)." These banks currently report this information in Schedule RC-L, Memorandum item 5.b.

For additional information on the reporting requirements of Schedule RC-S, please refer to the draft instructions for this schedule in Appendix A. The FFIEC Reports Task Force invites questions and comments on these instructions for Schedule RC-S. Questions and comments should be submitted to the Reports Task Force, c/o FFIEC, 2000 K Street, N.W., Suite 310, Washington, DC 20006, or by electronic mail to ffiec-suggest@frb.gov (to the attention of Mr. John Smullen).

Schedule RC-T – Fiduciary and Related Services

Institutions that exercise fiduciary powers and have fiduciary assets or accounts currently report information on their trust activities each December 31 in the Annual Report of Trust Assets (FFIEC 001). Institutions with trust operations in foreign offices must also complete the Annual Report of International Fiduciary Activities (FFIEC 006). Banks with fiduciary powers – as well as OCC-chartered trust companies that are not insured by the FDIC but are required to file Call Reports – will no longer file these two separate reports, but will file instead a new Call Report schedule, Schedule RC-T – Fiduciary and Related Services. This new schedule should be completed on a fully consolidated basis, i.e., including any trust company subsidiary (or subsidiaries) of the reporting institution.

The effective date for new Schedule RC-T will be December 31, 2001, although the amount of trust data that institutions must report in this schedule each December will vary depending on their total fiduciary assets and their fiduciary and related services income. In addition, beginning in 2002, the largest trust departments will be required to report information on their trust assets and accounts and on their fiduciary and related services income in Schedule RC-T in their March, June, and September Call Reports.

Schedule RC-T will begin with a series of three questions, the responses to which will determine whether an institution must complete the rest of the schedule. Thus, if an institution reports that:

- it does not have fiduciary powers,
- it does not exercise the fiduciary powers it has been granted, or
- it has no reportable fiduciary assets, accounts, income, or services,

then the rest of Schedule RC-T should not be completed.

In general, Schedule RC-T is divided into the following six subject areas: fiduciary and related assets and accounts, fiduciary and related services income and expenses, managed assets held in personal trust and agency accounts, corporate trust and agency accounts, collective investment funds and common trust funds, and fiduciary settlements and other losses. The portions of Schedule RC-T that institutions must complete, and the frequency with which they must be completed, are as follows:

- Institutions with more than $250 million in fiduciary assets as of the preceding December 31, or whose gross fiduciary and related services income exceeds 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year, will complete Schedule RC-T in its entirety each December 31. Beginning in 2002, these institutions will report their fiduciary and related assets and accounts and their fiduciary and relates services income (but not expenses) in their other three quarter-end Call Reports.
- Institutions with more than $100 million in fiduciary assets as of the preceding December 31 that do not meet the fiduciary and related services income test will complete Schedule RC-T in its entirety each December 31 only.
- Institutions with fiduciary assets of $100 million or less as of the preceding December 31 that do not meet the fiduciary and related services income test will provide information on fiduciary and related assets and accounts, managed assets held in personal trust and agency accounts, corporate trust and agency accounts, and collective investment and common trust funds each December 31 only. These institutions need not report on their fiduciary income, expenses, and losses in Schedule RC-T.

The information in Schedule RC-T on fiduciary and related services income and expenses and fiduciary settlements and other losses will be treated as confidential information on an individual institution basis. This will maintain the treatment currently accorded this information in the Annual Report of Trust Assets (FFIEC 001).

For additional information on the specific data to be reported in Schedule RC-T, please refer to the draft instructions for this schedule in Appendix B. The FFIEC Reports Task Force invites questions and comments on these instructions for Schedule RC-T. Questions and comments should be submitted to the Reports Task Force, c/o FFIEC, 2000 K Street, N.W., Suite 310, Washington, DC 20006, or by electronic mail to ffiec-suggest@frb.gov (to the attention of Mr. John Smullen).

Schedule RI – Income Statement

Item 1.a, "Interest and fee income on loans" – As discussed above under Schedule RC-K – Quarterly Averages, the agencies are adopting uniform loan categories and definitions for all banks using the standard loan categories from Schedule RC-C for the reporting of loan detail in Schedules RC-K, RC-N, RI, and RI-B, part I. This will end the different loan reporting schemes currently used in these four schedules in different versions of the Call Report forms.

Effective March 31, 2001, all banks – except those with domestic offices only and less than $25 million in assets – will report their "Total interest and fee income on loans" along with the interest and fee income for the following categories of loans (in domestic offices):

a. "Loans secured by real estate" as defined for Schedule RC-C, part I, item 1, column B,
b. "Commercial and industrial loans" as defined for Schedule RC-C, part I, item 4, column B,
c. "Credit cards" to individuals for household, family, and other personal expenditures as defined for Schedule RC-C, part I, item 6.a, column B,
d. "Other" consumer loans as defined for Schedule RC-C, part I, items 6.b and 6.c, column B,
e. "Loans to foreign governments and official institutions" as defined for Schedule RC-C, part I, item 7, and
f. "All other loans."

On the FFIEC 041 report form, the "All other loans" category in Schedule RI will include "Loans to depository institutions and acceptances of other banks," "Loans to finance agricultural production and other loans to farmers," "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and "Other loans" as defined for Schedule RC-C, part I, items 2, 3, 8, and 9, respectively. However, a Schedule RI memorandum item will collect information on the amount of income on "Loans to finance agricultural production and other loans to farmers" that is included in the interest and fee income on "All other loans." This FFIEC 041 memorandum item will be completed by banks with $300 million or more in total assets and, except as noted below, by those smaller banks that have agricultural loans (as defined for Schedule RC-C, part I, item 3) exceeding 5 percent of total loans. This is the same percentage threshold that currently applies to banks that file the FFIEC 033 and 034 report forms.

In contrast, on the FFIEC 031 report form, the "All other loans" category will include only "Loans to depository institutions and acceptances of other banks," "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and "Other loans." Interest and fee income on "Loans to finance agricultural production and other loans to farmers" will be reported in a separate loan category within the body of the income statement. Banks with foreign offices will also continue to report the amount of their interest and fee income on loans in foreign offices.

To ease the transition to standard loan category definitions for reporting loan income, banks with domestic offices only and $25 million or more but less than $300 million in total assets (as of June 30, 2000) will be permitted to use their best efforts through year-end 2001 to report interest and fee income on loans by loan category on the FFIEC 041 report form. Banks with domestic offices only and less than $25 million in assets (as of June 30, 2000) will not begin reporting loan income by loan category until the March 31, 2002, report date. During 2001, these banks will continue to report only the total amount of their loan income.

Tax-Exempt Income From Loans and Leases to States and Political Subdivisions in the U.S. – On the current Call Report forms (FFIEC 031, 032, 033, and 034), banks report this tax-exempt income in a variety of ways, using items in the body of the income statement, an income statement memorandum item, or a combination of the two. In revised Schedule RI, the method used by banks that currently file the FFIEC 034 report form would be extended to all banks. Thus, all banks will disclose the combined amount of their tax-exempt income from loans and leases to states and political subdivisions in the U.S. in income statement Memorandum item 3. In the body of the income statement (Schedule RI), all banks will include their tax-exempt state and local government loan income (in domestic offices) in item 1.a.(5) on the FFIEC 041[4] and item 1.a.(1)(f) on the FFIEC 031. Tax-exempt state and local government lease income will be included in Schedule RI, item 1.b, "Income from lease financing receivables."

Item 1.c, "Interest income on balances due from depository institutions" – At present on the FFIEC 031 report form, banks with foreign offices report interest income on balances due from depository institutions in domestic offices separately from such income in foreign offices. This breakdown will be eliminated and banks with foreign offices, like all other banks, will report only the total amount of income on their due from balances on Schedule RI.

Item 1.d, "Interest and dividend income on securities" – Currently, banks report from four to six categories of interest and dividend income on securities in the Call Report income statement depending on the report form they file. The securities income categories will be revised and made uniform for all banks. Banks will report their income for the three following categories of securities in the body of the income statement (Schedule RI): "U.S. Treasury securities and U.S. Government agency obligations" (item 1.d.(1)), "Mortgage-backed securities" (item 1.d.(2), and "All other securities" (item 1.d.(3)). These categories correspond to the securities categories for which quarterly averages will be collected in Schedule RC-K. All banks will also disclose their "Income on tax-exempt securities issued by states and political subdivisions in the U.S.," if any, in new income statement Memorandum item 4. In the body of the income statement (Schedule RI), banks will include this tax-exempt income in item 1.d.(3).

As previously discussed, the balance sheet category in which "Equity securities that do not have readily determinable fair values," such as Federal Reserve stock, Federal Home Loan Bank stock, and bankers' bank stock, will be changed from "Available-for-sale securities" to "Other assets" for better conformity with GAAP. As a result, dividend income on "Equity securities that do not have readily determinable fair values" will no longer be included in Schedule RI, item 1.d, "Interest and dividend income on securities." Instead, banks will report any dividend income on "Equity securities that do not have readily determinable fair values" in new item 1.g, "Other interest income," which is discussed below.

Item 1.g, "Other interest income" – This new income statement item will be used for reporting interest and dividend income on assets other than those assets properly reported in items 1 through 5 of the Call Report balance sheet (Schedule RC). New item 1.g will include, for example, dividend income on "Equity securities that do not have readily determinable fair values" that will be reported in Schedule RC-F, item 4, and interest income on interest-only strips receivable (not in the form of a security) that are reported in Schedule RC-F, item 3.

Interest Expense on Nontransaction Accounts – Banks currently report separately the interest expense on "Money market deposit accounts (MMDAs)" and "Other savings deposits" in Schedule RI, items 2.a.(2)(a) and (b) on the FFIEC 032, 033, and 034 report forms, items 2.a.(1)(b)(1) and (2) on the FFIEC 031 report form. Going forward, these two items will be

[4] On the FFIEC 041, banks with less than $25 million in assets will not begin to report loan income by loan category until March 31, 2002. During 2001, these banks will include any tax-exempt state and local government loan income in the body of the income statement in item 1.a.(6), "Total interest and fee income on loans."

combined and all banks will report only the total amount of interest expense on all "Savings deposits" in item 2.a.(2)(a) on the FFIEC 041 report form, item 2.a.(1)(b)(1) on the FFIEC 031 report form.

Item 4, "Provision for loan and lease losses" – Current item 4.a, "Provision for credit losses," will be revised to include only the provision for loan and lease losses. Banks will begin to report any provision for credit losses on off-balance sheet exposures that they now include in "Provision for credit losses" in Schedule RI, item 7.d, "Other noninterest expense," and they will itemize and describe this provision in item 2 of Schedule RI-E – Explanations – if it is significant. In addition, current item 4.b, "Provision for allocated transfer risk," will be eliminated as a specific income statement item. Going forward, banks will also report any provision for allocated transfer risk in Schedule RI, item 7.d, "Other noninterest expense," and itemize and describe it in Schedule RI-E, item 2, if it is significant.

Item 5, "Noninterest income" – Schedule RI currently collects data on either three or five categories of noninterest income depending on the report form a bank files. In addition, a bank must disclose in Schedule RI-E – Explanations – the amount of those individual components of "All other noninterest income" that are greater than 10 percent of the total.

Because noninterest income has become a significant source of revenue for banks, the agencies are revising existing item 5, "Noninterest income." Several new noninterest income categories will be added to those currently collected, thereby providing the agencies with valuable supervisory information on the amount and type of fee-generating activities within banks. Three of the new income statement "Noninterest income" categories represent items, or modifications of items, for which specific preprinted captions currently appear in items 1 and 2 of Schedule RI-E – Explanations. As a result, these items will no longer be reported in Schedule RI-E.

To make the noninterest income categories uniform, two noninterest income categories that now appear on the FFIEC 031, 032, and 033 report forms, but not on the FFIEC 034 report form – "Income from fiduciary activities" and "Trading revenue" – will be collected from all banks in Schedule RI, items 5.a and 5.c, respectively. The current income statement item for "Other fee income" (item 5.b.(1) on the FFIEC 034; item 5.f.(1) on the FFIEC 031, 032, and 033) will be discontinued. Those types of income that banks now include in "Other fee income" that will not be reported in one of the new noninterest income categories discussed below will now be included in revised item 5.l, "Other noninterest income."

In the revised noninterest income section of the income statement (Schedule RI), the instructions for item 5.a, "Income from fiduciary activities," item 5.b, "Service charges on deposit accounts (in domestic offices),", and item 5.c, "Trading revenue," now contained in your Call Report instruction book will remain in effect. The instructions for new items 5.d through 5.k are presented below.[5]

[5] The FFIEC Reports Task Force invites questions and comments on the instructions for these new noninterest income items. Questions and comments should be submitted to the Reports Task Force, c/o FFIEC, 2000 K Street, N.W., Suite 310, Washington, DC 20006, or by electronic mail to ffiec-suggest@frb.gov (to the attention of Mr. John Smullen). Because banks with domestic offices only and less than $100 million in assets do not report a quarterly average for trading assets, the trading revenue memorandum items are not applicable to them.

- *Item 5.d, "Investment banking, advisory, brokerage, and underwriting fees and commissions"* – Report fees and commissions from underwriting (or participating in the underwriting of) securities, private placements of securities, investment advisory and management services, merger and acquisition services, and other related consulting fees. Also include fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, and from the purchase and sale of securities and money market instruments where the bank is acting as agent for other banks or customers (if these fees and commissions are not included in Schedule RI, item 5.a, "Income from fiduciary activities," or item 5.c, "Trading revenue").
- *Item 5.e, "Venture capital revenue"* – In general, venture capital activities involve the providing of funds, whether in the form of loans or equity, and technical and management assistance, when needed and requested, to start-up or high-risk companies specializing in new technologies, ideas, products, or processes. The primary objective of these investments is capital growth. Report as venture capital revenue market value adjustments, interest, dividends, gains, and losses (including impairment losses) on venture capital investments (loans and securities). Include any fee income from venture capital activities that is not reported in one of the preceding items of Schedule RI – Income Statement. Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in:
- unconsolidated subsidiaries,
- associated companies, and
- corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence

that are principally engaged in venture capital activities.

- *Item 5.f, "Net servicing fees"* – Report income from servicing real estate mortgages, credit cards, and other financial assets held by others. Report any premiums received in lieu of regular servicing fees on such loans only as earned over the life of the loans. Banks should report servicing income net of the related servicing assets' amortization expense. For further information on servicing, see the Glossary entry for "servicing assets and liabilities."
- *Item 5.g, "Net securitization income"* – Report net gains (losses) on assets sold in securitization transactions, i.e., net of transaction costs. Include fees (other than servicing fees) earned from the bank's securitization transactions and unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale in securitization transactions. Exclude income from servicing securitized assets (report in Schedule RI, item 5.f, above) and from seller's interests and residual interests retained by the bank (report in the appropriate subitem of Schedule RI, item 1, "Interest income)."
- *Item 5.h, "Insurance commissions and fees"* – Report income from underwriting insurance (includes premiums, annuities, and supplemental contracts); service charges, commissions, and fees from the sale of insurance; commissions on reinsurance ceded; reserve adjustments on reinsurance ceded; and other insurance related income. Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in:
- unconsolidated subsidiaries,
- associated companies, and

- corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence

  that are principally engaged in insurance underwriting, reinsurance, or insurance sales activities.

- *Item 5.i, "Net gains (losses) on sales of loans"* – Report the amount of net gains (losses) on sales and other disposals of loans and leases (reportable in Schedule RC-C), including unrealized losses (and subsequent recoveries of such net unrealized losses) on loans and leases held for sale. Exclude net gains (losses) on loans and leases sold in securitization transactions and unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale in securitization transactions (report these gains (losses) in Schedule RI, item 5.g, "Net securitization income").
- *Item 5.j, "Net gains (losses) on sales of other real estate owned"* – Report the amount of net gains (losses) on sales and other disposals of other real estate owned (reportable in Schedule RC, item 7), increases and decreases in the valuation allowance for foreclosed real estate, and write-downs of other real estate owned subsequent to acquisition (or physical possession) charged to expense. Do not include as a loss on other real estate owned any amount charged to the allowance for loan and lease losses at the time of foreclosure (actual or physical possession) for the difference between the carrying value of a loan and the fair value less cost to sell of the foreclosed real estate.
- *Item 5.k, "Net gains (losses) on sales of other assets (excluding securities)"* – Report the amount of net gains (losses) on sales and other disposals of assets not required to be reported elsewhere in the income statement (Schedule RI). Include net gains (losses) on sales and other disposals of premises and fixed assets; personal property acquired for debts previously contracted (such as automobiles, boats, equipment, and appliances); and coins, art, and other similar assets. Do not include net gains (losses) on sales and other disposals of loans and leases (either directly or through securitization), other real estate owned, securities, and trading assets (report these net gains (losses) in the appropriate items of Schedule RI).

Item 7.c, "Amortization expense of intangible assets" – At present, banks disclose in Schedule RI-E, item 2.a, the amount of amortization expense of intangible assets (including goodwill) included in "Other noninterest expense" on the Call Report income statement. This item will be moved from Schedule RI-E to the body of the income statement (Schedule RI).

Memorandum item 8, "Trading revenue" – Banks currently filing the FFIEC 031, 032, and 033 report forms must provide a breakdown of their trading revenue by risk exposure, regardless of amount, in Memorandum items 8.a through 8.d. To take a more risk-focused approach to reporting this information, a threshold test will be added to determine which banks should report this breakdown. Accordingly, only those banks that reported a quarterly average for trading assets of $2 million or more (in Schedule RC-K, item 7) for any quarter of the preceding calendar year will complete the trading revenue memorandum items.[6] This same threshold test will apply to Schedule RC-D – Trading Assets and Liabilities.

[6] Because banks with domestic offices only and less than $100 million in assets do not report a quarterly average for trading assets, the trading revenue memorandum items are not applicable to them.

Memorandum item 9, "Impact on income of derivatives held for purposes other than trading" – On the present FFIEC 031, 032, and 033 report forms, banks with foreign offices or with total assets of $100 million or more disclose the effect that derivatives held for purposes other than trading had on their interest income, interest expense, and noninterest income (expense) in Memorandum items 9.a, 9.b., and 9.c, respectively. These banks will continue to complete these memorandum items. However, FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which is effective for fiscal years beginning after June 15, 2000, changes the accounting for derivative instruments and for hedging using derivatives. Therefore, the instructions for these memorandum items are being revised as follows because of these accounting changes.

For a qualifying fair value or cash flow hedge, the effective portion of the gain or loss on the derivative hedging instrument should be reported in the Call Report income statement in a manner consistent with the earnings effect of the hedged item. Thus, when the earnings effect of the hedged item is reported in interest income or expense, the effective portion of the gain or loss on the derivative should be reported in the corresponding interest income or expense item in the body of the Call Report income statement as well as in Schedule RI, Memorandum item 9.a, "Net increase (decrease) to interest income," or 9.b, "Net (increase) decrease to interest expense," as appropriate.[7] The ineffective portion of the gain or loss on the derivative hedging instrument and the component of the derivative's gain or loss, if any, excluded from the assessment of hedge effectiveness should be reported as a noninterest item in the income statement. Similarly, the gain or loss on a nonhedging derivative instrument held for purposes other than trading should be reported as a noninterest item. Banks should consistently report these amounts in either "Other noninterest income" (Schedule RI, item 5.l) or "Other noninterest expense" (Schedule RI, item 7.d). Banks should also report these amounts in Schedule RI, Memorandum item 9.c, "Other (noninterest) allocations."

Memorandum item 10, "Credit losses on derivatives" – At present, banks that file the FFIEC 031 and 032 report forms, i.e., banks with foreign offices or with $300 million or more in total assets, must report the calendar year-to-date amount of credit losses on derivatives in Memorandum item 10. These banks will continue to complete this memorandum item. However, because all derivative contracts will be reported on the balance sheet at fair value once a bank adopts FASB Statement No. 133, no allowance for credit losses on derivatives should be maintained and the reference to such an allowance in the existing instruction to Memorandum item 10 will be removed.

Schedule RI-A—Changes in Equity Capital

Banks now filing the FFIEC 034 report form are required to complete Schedule RI-A only once each year as of the December 31 report date. All other banks must complete this schedule quarterly. Consistent with sound financial reporting practices, banks that currently use the FFIEC 034 report form will begin to prepare Schedule RI-A quarterly rather than annually. Because the calendar year-to-date amount of cash dividends declared is reported in Schedule RI-A, current Memorandum item 5 of Schedule RI on the FFIEC 034 report form, in which banks

[7] On a qualifying cash flow hedge, the effective portion of the gain or loss on the derivative hedging instrument is recognized in earnings in the period or periods when the hedged forecasted transaction affects earnings. This means that the effective portion of the gain or loss on the derivative may not affect earnings in the same period in which the gain or loss arose.

report the amount of cash dividends declared during the calendar year-to-date in the March, June, and September Call Reports, will become redundant and will be deleted from Schedule RI.

Item 1, "Total equity capital most recently reported for the December 31, 2000, Reports of Condition and Income" – At present, each bank must report the "Total equity capital originally reported" in its Call Report for the previous year-end in item 1 of Schedule RI-A. If the bank has filed any amendments to this previous year-end Call Report that affected its originally reported total equity capital, these equity capital adjustments are reported in item 2, and the amended equity capital balance for the previous year-end is reported in item 3. As revised, item 1 of Schedule RI-A will capture the most recently reported equity capital balance, which will be either the amended balance or the originally reported balance, depending on whether Call Report amendments have been filed for the previous year-end that included equity capital adjustments.

Item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles" – In the current version of Schedule RI-A, banks report the "Cumulative effect of changes in accounting principles from prior years" and "Corrections of material accounting errors from prior years," if any, in items 9 and 10, respectively. To bring the presentation of the previous calendar year-end equity capital more into conformity with financial statements prepared in accordance with GAAP, current items 9 and 10 will be combined and redesignated as Schedule RI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles." Any restatements included in this revised item 2 must be itemized and described in Schedule RI-E, item 4.

With the revisions to items 1 and 2 of Schedule RI-A, item 3 will also modified. Item 3, which is the sum of items 1 and 2, will be recaptioned "Balance end of previous calendar year as restated."

Item 6, "Treasury stock transactions, net" – At present, the net amount of a bank's treasury stock transactions is included in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net." To enable the banking agencies to monitor the volume and extent of this activity, treasury stock transactions will begin to be reported separately from other capital stock transactions in new item 6 of Schedule RI-A. As a result, current items 6 through 8 on Schedule RI-A will be renumbered as items 7 through 9.

Item 10, "Other comprehensive income" – Currently, banks report the "Change in net unrealized holding gains (losses) on available-for-sale securities" and, if they have adopted FASB Statement No. 133, the "Change in accumulated net gains (losses) on cash flow hedges" in items 11.a and 11.b, respectively, of Schedule RI-A. Banks with foreign offices report their "Foreign currency translation adjustments" in item 12 of this schedule on the FFIEC 031 report form. These items, which are components of "Other comprehensive income" under FASB Statement No. 130, Reporting Comprehensive Income, will be combined and replaced with new item 10 of Schedule RI-A. Item 10 will also include any minimum pension liability adjustment recognized during the calendar year-to-date.

Schedule RI-B—Charge-offs and Recoveries on Loans and Leases and Changes in

Allowance for Loan and Lease Losses

Part I. Charge-offs and Recoveries on Loans and Leases – As discussed above under Schedule RC-K – Quarterly Averages, the agencies are adopting uniform loan categories and definitions for all banks using the standard loan categories from Schedule RC-C for the reporting of loan detail in Schedules RC-K, RC-N, RI, and RI-B, part I. This will end the separate loan reporting scheme used in these four schedules in which banks that currently file the FFIEC 033 and 034 report forms report loan information using self-defined general loan categories.

Effective March 31, 2001, the loan categories to be used for reporting charge-offs and recoveries in Schedule RI-B, part I, will be identical to the loan categories used for reporting past due and nonaccrual loan data in Schedule RC-N. Thus, all banks will report charge-offs and recoveries for the following categories of loans and leases:

a. "Loans secured by real estate" – as defined for Schedule RC-C, part I, item 1 -- using the six-way breakdown of real estate loans (in domestic offices) currently contained in Memorandum item 5 of Schedule RI-B, part I,
b. "Loans to depository institutions and acceptances of other banks" as defined for Schedule RC-C, part I, item 2,
c. "Commercial and industrial loans" as defined for Schedule RC-C, part I, item 4,
d. "Credit cards" to individuals for household, family, and other personal expenditures as defined for Schedule RC-C, part I, item 6.a,
e. "Other" consumer loans as defined for Schedule RC-C, part I, items 6.b and 6.c,
f. "Loans to foreign governments and official institutions" as defined for Schedule RC-C, part I, item 7,
g. "All other loans," and
h. "Lease financing receivables" as defined for Schedule RC-C, part I, item 10.

Consistent with the approach taken in Schedule RC-N, the "All other loans" category in Schedule RI-B, part I, on the FFIEC 041 report form will include "Loans to finance agricultural production and other loans to farmers," "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," and "Other loans" as defined for Schedule RC-C, part I, items 3, 8, and 9, respectively. However, a Schedule RI-B, part I, memorandum item will collect information on the "Loans to finance agricultural production and other loans to farmers" that are included in the charge-offs and recoveries on "All other loans." This FFIEC 041 memorandum item will be completed by banks with $300 million or more in total assets and by those smaller banks that have agricultural loans (as defined for Schedule RC-C, part I, item 3) exceeding 5 percent of total loans. This is the same percentage threshold that currently applies to banks that file the FFIEC 033 and 034 report forms.

In contrast, on the FFIEC 031 report form, the "All other loans" category will include only "Obligations (other than securities and leases) of states and political subdivisions in the U.S." and "Other loans." Charge-offs and recoveries on "Loans to finance agricultural production and other loans to farmers" will be reported in a separate loan category within the main body of Schedule RI-B, part I.

In addition, banks that currently file the FFIEC 031 and 032 report forms will also continue to report charge-offs and recoveries based on the domicile of the borrower for the following four loan categories in revised Schedule RI-B, part I: (a) "Loans secured by real estate," (b) "Loans to depository institutions and acceptances of other banks," (c) "Commercial and industrial loans," and (d) "Lease financing receivables."

To ease the transition to the use of standard loan category definitions, banks with domestic offices only and less than $300 million in total assets (as of June 30, 2000) that currently file the FFIEC 033 and 034 report forms will be permitted to use their best efforts through year-end 2001 to report loan charge-offs and recoveries by loan category on the FFIEC 041 report form.

Part II. Changes in Allowance for Loan and Lease Losses – As with Schedule RI-A, banks now filing the FFIEC 034 report form will begin to complete Schedule RI-B, part II, each quarter rather than only once each year as of the December 31 report date. All other banks will continue to complete this schedule quarterly.

Schedule RI-B, part II, currently presents a reconcilement of the activity in the entire allowance for credit losses, which for most banks is the same as the allowance for loan and lease losses.

Going forward, the scope of part II will be revised to cover only changes in the allowance for loan and lease losses. This will mean that the amount reported in item 6 of part II, "Balance end of current period," must equal Schedule RC, item 4.c, "Allowance for loan and lease losses."

In addition, item 1 of part II is being revised in the same manner as item 1 of Schedule RI-A. At present, banks report the balance of the allowance as "originally reported" in their previous year-end Call Report in item 1. The effect that any amendments to that year-end Call Report had on the allowance as originally reported have been included in item 5 of part II, "Adjustments." In revised part II, banks will report the "Balance most recently reported" for the previous year-end allowance for loan and lease losses rather than the "originally reported" allowance balance.

Banks that report an allowance for credit losses in their December 31, 2000, Call Report that includes allowances for loan and lease losses and for credit losses on off-balance sheet exposures should report only the allowance for loan and lease losses as the "Balance most recently reported for the December 31, 2000, Reports of Condition and Income" in item 1 of Schedule RI-B, part II, in each Call Report for 2001.

Schedule RI-D—Income from International Operations (FFIEC 031 only)

At present, banks with foreign offices report "Interest income," "Interest expense," and "Net interest income" booked at foreign offices, Edge and Agreement subsidiaries, and IBFs in items 1.a, 1.b, and 1.c, respectively, of part I of Schedule RI-D. Items 2.a, 2.b, and 2.c of part I cover booking location adjustments for net interest income. To streamline this schedule and make the reporting of interest income and expense more consistent with the reporting approach currently followed in the remainder of part I of Schedule RI-D, existing items 1 and 2 will be replaced. In new items 1.a and 1.b, banks will report their "Gross interest income" and "Gross interest expense" attributable to international operations. These amounts will be components of the "Total interest income" and "Total interest expense" reported in items 1.h and 2.e, respectively, of the Call Report income statement (Schedule RI). New item 2, "Net interest income attributable to international operations," will be the difference between items 1.a and 1.b and, therefore, will be a component of Schedule RI, item 3, "Net interest income."

Current Memorandum items 1 and 2 of part I on intracompany interest income and expense booked at foreign offices, Edge and Agreement subsidiaries, and IBFs will be deleted from the schedule.

In addition, Schedule RI-D, part II — Supplementary Details on Income from International Operations, which has been collected to accommodate certain data needs of the Departments of Commerce and Treasury, will be eliminated.

Schedule RI-E—Explanations

Because of the change being made to the way that banks report total equity capital as of the previous year-end in Schedule RI-A, current item 4 of Schedule RI-E, "Equity capital adjustments from amended Reports of Income," will be deleted.

Items 1 and 2, "Other noninterest income" and "Other noninterest expense" – Banks are currently required to disclose information about components of "All other noninterest income" and "Other noninterest expense" that exceed 10 percent of the total amount reported for these respective items on the Call Report income statement (Schedule RI). In addition, at present, all banks must disclose the amount of "Amortization expense of intangible assets," regardless of size, in Schedule RI-E, item 2.a.

As discussed above under Schedule RI, the Call Report income statement will be revised to include items for several new noninterest income categories as well as an item for the amortization expense of intangibles. In response to this change and, at the same time, to improve the usefulness of the itemized information on noninterest income and expense in Schedule RI-E, the agencies will add preprinted captions to items 1 and 2 for several of the more commonly listed significant components of "Other noninterest income" (Schedule RI, item 5.l) and "Other noninterest expense" (Schedule RI, item 7.d). Blank text fields like those presently contained in items 1 and 2 of Schedule RI-E will be retained for noninterest income and expense items not specifically covered in the preprinted captions. Furthermore, the threshold for identifying and disclosing significant components of other noninterest income and expense will be changed from the current 10 percent test to 1 percent of the sum of "Total interest income" and "Total noninterest income" (Schedule RI, item 1.h plus item 5.m). This revised threshold corresponds to the threshold that the Securities and Exchange Commission has prescribed in its disclosure regulations.

Preprinted captions have been created for five categories of "Other noninterest income" and seven categories of "Other noninterest expense." Banks should disclose the amount of income or expense in these captioned items if the amount exceeds the new 1 percent threshold. From their captions, the content of the specifically identified noninterest income and expense categories should be self-explanatory. The noninterest income categories are:

- Item 1.a, "Income and fees from the printing and sale of checks,"
- Item 1.b, "Earnings on/increase in value of cash surrender value of life insurance,"
- Item 1.c, "Income and fees from automated teller machines (ATMs),"
- Item 1.d, "Rent and other income from other real estate owned," and
- Item 1.e, "Safe deposit box rent."

The noninterest expense categories are:

- Item 2.a, "Data processing expenses,"
- Item 2.b, "Advertising and marketing expenses,"
- Item 2.c, "Directors' fees,"
- Item 2.d, "Printing, stationery, and supplies,"

- Item 2.e, "Postage,"
- Item 2.f, "Legal fees and expenses," and
- Item 2.g, "FDIC deposit insurance assessments."

Item 4, "Restatements due to corrections of material accounting errors and changes in accounting principles" – At present, banks must separately itemize and describe the effect of any changes in accounting principles and accounting error corrections that were included in items 9 and 10 of Schedule RI-A – Changes in Equity Capital. Because these two items will be combined on Schedule RI-A, a corresponding change will be made to Schedule RI-E. Thus, existing items 5 and 6 of Schedule RI-E will be combined and banks will begin to disclose the components of "Restatements due to corrections of material accounting errors and changes in accounting principles" in new Schedule RI-E, item 4.

Item 6, "Adjustments to allowance for loan and lease losses" – As mentioned above, Schedule RI-B, part II, will now cover only the loan and lease loss allowance rather than the entire allowance for credit losses. As a result, the scope of item 6 of Schedule RI-E (formerly item 8 of Schedule RI-E) will be revised so that it applies only to "Adjustments to the allowance for loan and lease losses."

8In addition to the six categories of real estate loans in the current breakdown, banks that now file the FFIEC 031, i.e., banks with foreign offices, will also separately report their charge-offs and recoveries of loans secured by real estate in foreign offices.