FFIEC

Federal Financial Institutions Examination Council
Arlington, VA 22226 CALL REPORT DATE: June 30, 2022
SECOND 2022 CALL, NUMBER 300

SUPPLEMENTAL INSTRUCTIONS

June 2022 Call Report Materials

A new Call Report data item, "Unallocated portfolio layer fair value hedge basis adjustments," was added this quarter in the three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051) on Schedule RC-B – Securities. This data item is applicable to those institutions that have early adopted Accounting Standards Update 2022-01, "Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method," and have chosen to apply the portfolio layer method to a closed portfolio of available-for-sale (AFS) debt securities. The instructions for Schedule RC-C, item 11, "LESS: Any unearned income on loans reflected in items 1-9 above" have also been revised for institutions that have chosen to apply the portfolio layer method to a closed portfolio of loans. The instructions for these items, and the topic on "Accounting for Hedging Activities," have also been revised accordingly.

A new topic, "Securities and Exchange Commission Staff Accounting Bulletin No. 121," has been added to the Supplemental Instructions to provide guidance to institutions that have determined that it is appropriate to apply Securities and Exchange Commission Staff Accounting Bulletin No. 121 (SAB 121) regarding the accounting for entities that have obligations to safeguard crypto-assets held for their platform users.

Technical clarifications have also been made to the Call Report instructions related to:

- Brokered deposits in the Call Report Glossary.
- Shifts in Reporting Status in the General Instructions for an institution that files the FFIEC 051 report form.
- Standardized Approach for Counterparty Credit Risk for Schedule RC-R, Regulatory Capital, Part II – Risk Weighted Assets, Memoranda item 3, "Notional principal amounts of centrally cleared derivative contracts."
- Structured financial products that are guaranteed by U.S. government agencies such as K-Deals and Q-Deals issued by Federal Home Loan Mortgage Corporation or Freddie Mac for Schedule RC-B, Securities, item 5.b, "Structured financial products."

Separate updates to the instruction book for the FFIEC 051 Call Report and the instruction book for the FFIEC 031 and FFIEC 041 Call Reports for June 2022 soon will be available for printing and downloading from the FFIEC's website (https://www.ffiec.gov/ffiec_report_forms.htm) and the FDIC's website (https://www.fdic.gov/callreports). Sample FFIEC 051, FFIEC 041, and FFIEC 031 Call Report forms, including the cover (signature) page, for June 2022 also can be printed and downloaded from these websites. In addition, institutions that use Call Report software generally can print paper copies of blank forms from their software. Please ensure that the individual responsible for preparing the Call Report at your institution has been notified about the electronic availability of the June 2022 report forms, instruction book updates, and these Supplemental Instructions. The locations of substantive changes to the text of the previous quarter's Supplemental Instructions are identified by a vertical line in the right margin.

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.ffiec.gov/cdr/), using one of the two methods described in the banking agencies' Financial Institution Letter (FIL) for the June 30, 2022, report date. The CDR Help Desk is available from 9:00 a.m. until 8:00 p.m., Eastern Time, Monday through Friday, and Saturday, July 30, 2022, to provide assistance with user accounts, passwords, and other CDR system-related issues. The CDR Help Desk can be reached by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at cdr.help@cdr.ffiec.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. (See the next section for information on the Call Report signature requirement.) 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 website, 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 website 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 (in alphabetical order) Adenza (formerly Axiom SL, Inc.); DBI Financial Systems, Inc.; Fed Reporter, Inc.; FIS Compliance Solutions; FiServ, Inc.; KPMG LLP; SHAZAM Core Services; Vermeg; and Wolters Kluwer Financial Services meet the technical specifications for producing Call Report data files that are able to be processed by the CDR. Contact information for these vendors is provided on the final page of these Supplemental Instructions.

Call Report Signature Requirement and COVID-19

Generally, each Call Report submission must be signed by the Chief Financial Officer (or equivalent) and three directors (two for state nonmember banks). [1] While the Call Report data submission occurs electronically, the current Call Report instructions require that the signed cover page must be attached to a printout or copy of the Call Report forms or data reported to the agencies. The agencies note that while the instructions refer to a single page, the required signatures may be obtained on separate cover pages from each required signer, rather than by obtaining all signatures on a single cover page.

Business disruptions related to the Coronavirus Disease 2019 (COVID-19), including distancing requirements and remote work, may make it operationally challenging for an institution to obtain original ink signatures from all required signers in order to submit the Call Report on a timely basis. Therefore, for the duration of the COVID-19 disruptions, including for the June 30, 2022, Call Report, the agencies will permit an institution to use electronic signatures in lieu of ink signatures to fulfill the Call Report attestation requirement. The institution should follow appropriate governance procedures for collecting and retaining electronic signatures:

- The signature is executed by the required signer with the intent to sign;
- The signature is digitally attached to or associated with a copy of the Call Report;
- The signature or process identifies and authenticates the required signer; and
- The institution maintains the electronically signed Call Report and has it available for subsequent examiner review.

One acceptable method during the COVID-19 disruption could include obtaining written attestation via e-mail from the required signer to the person submitting the Call Report data, provided the e-mail included an attached electronic version of the Call Report data and indicating the attestation is based on the attached information. That e-mail should be retained in the institution's records to support that the Call Report was appropriately attested to by the required signer. Institutions should discuss any concerns regarding the attestation with their primary federal regulator.

Securities and Exchange Commission Staff Accounting Bulletin No. 121

On March 31, 2022, the SEC released SAB 121 to express SEC staff views regarding the accounting for entities that have obligations to safeguard crypto-assets held for their platform users. SAB 121 provides that an entity, including a financial institution, should present a liability on its balance sheet to reflect its obligation to safeguard the crypto-assets held for its platform users at the fair value of the crypto-assets. The entity should also recognize a corresponding asset on its balance sheet measured at the fair value of the crypto-assets held for its platform users.

The agencies are still reviewing the implications of SAB 121. An institution that determines that it is appropriate for it to apply SAB 121 for SEC or other financial reporting purposes should complete its Call

[1] See, e.g., 12 U.S.C. §§ 161(a) and 1817(a)(3).

Report consistent with the classification determination made for SEC or other financial reporting purposes. For example, an institution that has concluded that a SAB 121 crypto safeguarding asset should be recorded on its balance sheet as "other assets" would include the asset in the relevant regulatory reporting schedules as "other assets." If the reported item requires a concise caption on a schedule and a preprinted caption has not been provided, an institution may write in a caption that best describes the item (e.g., "SAB 121 custody activity"). Institutions may provide details in the Optional Narrative Statement indicating that SAB 121 was implemented and the value of the associated asset and liability.

An institution that intends to apply SAB 121 for SEC or other financial reporting purposes should discuss any questions regarding SAB 121 with its primary federal regulator.

Accounting for Loan Modifications to Borrowers Experiencing Financial Difficulties

In March 2022, the FASB issued ASU No. 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures," which amended ASC Topic 326, Financial Instruments – Credit Losses. This guidance, once effective, will eliminate the recognition and measurement accounting guidance for Troubled Debt Restructurings (TDRs) by creditors in Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Consistent with the accounting for other loan modifications under ASC Section 310-20-35, Subsequent Measurement, under ASU 2022-02, an institution would evaluate whether the modification to a borrower experiencing financial difficulty represents a new loan or a continuation of an existing loan.

Prior to the adoption of ASU 2022-02, institutions must recognize and disclose modified loans where the institution has granted a concession, for economic or legal reasons, related to the borrower's financial difficulty as TDRs. Institutions report loans identified as TDRs on Schedule RC-C, Part I, Loans and Leases, if the loan is performing in accordance with its modified terms or Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, if the loan is not performing in accordance with its modified terms.

For all institutions that have adopted ASC Topic 326, ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, including interim reporting periods within those fiscal years. For institutions that have not yet adopted the amendments in ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, the effective date for this ASU would be the same as the effective date in ASU 2016-13. Early application of the new standard is permitted for all institutions, provided that an institution has adopted ASU 2016-13.

<u>Reporting for Early Adopters</u>

If an institution chooses to early adopt the new standard for financial reporting purposes during 2022, the institution should implement the new standard in its Call Report for the same quarter-end report date. These institutions would report all loan modifications to borrowers experiencing financial difficulties as defined by ASU 2022-02 prospectively from the beginning of the fiscal year of adoption.

For Call Report purposes, all loans modified since adoption of the new standard to borrowers experiencing financial difficulty as defined by ASU 2022-02 that are performing in accordance with their modified terms would be reported on Schedule RC-C, Part I, Memorandum items 1.a. through 1.g. If a loan is not performing in accordance with its modified terms, it would be reported on Schedule RC-N, Memorandum items 1.a through 1.g.

These institutions have an option to apply a modified retrospective transition method for the elimination of the TDR recognition and measurement guidance. The option to apply a modified retrospective transition method would result in a cumulative effect adjustment to retained earnings in the period of adoption. The cumulative-effect adjustment to bank equity capital for this change in accounting principle should be reported in Schedule RI-A, Changes in Bank Equity Capital, item 2, and disclosed in Schedule RI-E, Explanations, item 4.c or 4.d, with a write-in descriptor indicating ASU 2022-02. Institutions that early adopt ASU 2022-02 that do not apply the modified retrospective method in the calendar year ending December 31, 2022, may provide a statement in the optional narrative indicating the quarter in which ASU 2022-02 was adopted.

For additional information on ASU 2022-02, institutions should refer to the FASB's website at: Accounting Standards Updates Issued (fasb.org) which includes a link to the accounting standard update.

The agencies plan to revise the Call Report forms and instructions to replace the current TDR terminology with updated language from ASU 2022-02 for the first quarter of 2023.

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The ASU states that "[r]eference rates such as the London Interbank Offered Rate (LIBOR) are widely used in a broad range of financial instruments and other agreements. Regulators and market participants in various jurisdictions have undertaken efforts, generally referred to as reference rate reform, to eliminate certain reference rates and introduce new reference rates that are based on a larger and more liquid population of observable transactions. As a result of this initiative, certain widely used reference rates such as LIBOR are expected to be discontinued."

The ASU provides optional expedients for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. In particular, the expedients in the ASU are available to be elected by all institutions, subject to meeting certain criteria, for contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.

With respect to contracts, the ASU applies to contract modifications that replace a reference rate affected by reference rate reform (including rates referenced in fallback provisions) and contemporaneous modifications of other contract terms related to the replacement of the reference rate (including contract modifications to add or change fallback provisions). The ASU provides optional expedients for applying ASC in the following areas:

- ASC Topics 310, Receivables, and 470, Debt: Modifications of contracts within the scope of these topics should be accounted for by prospectively adjusting the effective interest rate.
- ASC Topics 840, Leases, and 842, Leases: Modifications of contracts within the scope of these topics should be accounted for as a continuation of the existing contracts with no reassessments of the lease classification and the discount rate (for example, the incremental borrowing rate) or remeasurements of lease payments that otherwise would be required under these topics for modifications not accounted for as separate contracts.
- ASC Subtopic 815-15, Derivatives and Hedging—Embedded Derivatives: Modifications of contracts do not require an entity to reassess its original conclusion about whether that contract contains an embedded derivative that is clearly and closely related to the economic characteristics and risks of the host contract under this subtopic.

For other topics in the ASC, the ASU states a general principle that permits an institution to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. When elected, an institution must apply the optional expedients for contract modifications consistently for all eligible contracts or eligible transactions within the relevant ASC topic that contains the guidance that otherwise would be required to be applied.

In addition, the ASU provides exceptions to the guidance in ASC Topic 815, Derivatives and Hedging, related to changes to the critical terms of a hedging relationship due to reference rate reform. The ASU includes examples of changes to these terms that should not result in the dedesignation of the hedging relationship if certain criteria are met. The ASU also provides optional expedients for fair value hedging relationships, cash flow hedging relationships, and net investment hedging relationships for which the component excluded from the assessment of hedge effectiveness is affected by reference rate reform. If certain criteria are met, other optional expedients apply to cash flow hedging relationships affected by reference rate reform and to fair value hedging relationships for which the derivative designated as the hedging instrument is affected by reference rate reform. The optional expedients for hedging relationships may be elected on an individual hedging relationship basis.

Finally, the ASU permits institutions to make a one-time election to sell, transfer, or both sell and transfer

held-to-maturity debt securities that reference a rate affected by reference rate reform and were classified as held-to-maturity before January 1, 2020.

The ASU is effective for all institutions as of March 12, 2020, through December 31, 2022. For additional information, institutions should refer to ASU 2020-04, which is available at Accounting Standards Updates Issued (fasb.org).

Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments," which introduces CECL for estimating allowances for credit losses. Under CECL, an allowance for credit losses is a valuation account, measured as the difference between the financial assets' amortized cost basis and the net amount expected to be collected on the financial assets (i.e., lifetime credit losses). To estimate expected credit losses under CECL, institutions will use a broader range of data than under existing U.S. GAAP. These data include information about past events, current conditions, and reasonable and supportable forecasts relevant to assessing the collectability of the cash flows of financial assets.

The ASU is applicable to all financial instruments measured at amortized cost (including loans held for investment and held-to-maturity debt securities, as well as trade receivables, reinsurance recoverables, and receivables that relate to repurchase agreements and securities lending agreements), a lessor's net investments in leases, and off-balance-sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credit, and financial guarantees. The new standard does not apply to trading assets, loans held for sale, financial assets for which the fair value option has been elected, or loans and receivables between entities under common control.

The ASU also modifies the treatment of credit impairment on available-for-sale (AFS) debt securities. Under the new standard, institutions will recognize a credit loss on an AFS debt security through an allowance for credit losses, rather than the current practice required by U.S. GAAP of write-downs of individual securities for other-than-temporary impairment.

On November 15, 2019, the FASB issued ASU No. 2019-10 to defer the effective dates of ASU 2016-13 for certain institutions. Under this ASU, for institutions that are SEC filers, except those that are "smaller reporting companies" as defined in the SEC's rules, ASU 2016-13 continues to be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, i.e., January 1, 2020, for such entities with calendar year fiscal years. For all other entities, including those SEC filers that are eligible to be smaller reporting companies, ASU 2016-13 now will take effect for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, i.e., January 1, 2023, for such entities with calendar year fiscal years. For all institutions, early application of the new credit losses standard is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

Institutions must apply ASU 2016-13 for Call Report purposes in accordance with the effective dates set forth in the ASU as amended in November 2019. An institution that early adopts ASU 2016-13 for U.S. GAAP financial reporting purposes should also early adopt the ASU in the same period for Call Report purposes.

For additional information, institutions should refer to the agencies' Interagency Policy Statement on Allowances for Credit Losses, which was published June 1, 2020. Since the issuance of ASU 2016-13, the FASB has published the following amendments to the new credit losses accounting standard:

- ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176171644373&acceptedDisclaimer=true;
- ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176172541591&acceptedDisclaimer=true;
- ASU 2019-05, "Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief," available at

https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176172668879&acceptedDisclaimer=true;
- ASU 2019-10, "Financial Instruments–Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173775344&acceptedDisclaimer=true;
- ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173831330&acceptedDisclaimer=true; and
- ASU 2020-03, "Codification Improvements to Financial Instruments," available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176174290619&acceptedDisclaimer=true.

Accounting for Hedging Activities

In August 2017, the FASB issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities." This ASU amends ASC Topic 815, Derivatives and Hedging, to "better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results." For institutions that are public business entities (PBE), as defined under U.S. GAAP, ASU 2017-12 is currently in effect.

On November 15, 2019, the FASB issued ASU 2019-10 to defer the effective date of ASU 2017-12 by one year for institutions that are not PBEs (i.e., that are private companies).

As amended by ASU 2019-10, ASU 2017-12 is now effective for these entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

On March 28, 2022, the FASB issued ASU 2022-01, "Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method." This ASU expands the current single-layer method that was one of the major provisions of ASU 2017-12 and allows for multiple hedged layers of a single closed portfolio. To reflect that expansion, the last-of-layer method is renamed the portfolio layer method.

Additionally, the ASU:
- Expands the scope of the portfolio layer method from prepayable assets to also include nonprepayable assets;
- Specifies eligible hedging instruments in a single-layer hedge;
- Provides additional guidance on the accounting for and disclosure of fair value hedge basis adjustments (FVHBA) under the portfolio layer method; and
- Specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio.

The ASU applies to all entities that elect to apply the portfolio layer method of hedge accounting. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted.

For additional information on ASU 2022-01, institutions should refer to the FASB's website at: https://www.fasb.org/page/PageContent?pageId=/standards/accounting-standards-updates-issued.html which includes a link to the accounting standard update.

The Call Report instructions, including the Glossary entry for "Derivative Contracts," will be revised to conform to the ASU at a future date.

For additional information, institutions should refer to ASU 2017-12, which is available at http://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176169282347&acceptedDisclaimer=true;

and ASU 2019-10, "Financial Instruments–Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates," which is available at https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173775344&acceptedDisclaimer=true.

Accounting for Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases," which added ASC Topic 842, Leases. Once effective, this guidance, as amended by certain subsequent ASUs, supersedes ASC Topic 840, Leases.

ASC Topic 842 does not fundamentally change lessor accounting; however, it aligns terminology between lessee and lessor accounting and brings key aspects of lessor accounting into alignment with the FASB's revenue recognition standard. As a result, the classification difference between direct financing leases and sales-type leases for lessors moves from a risk-and-rewards principle to a transfer of control principle. Additionally, there is no longer a distinction in the treatment of real estate and non-real estate leases by lessors.

The most significant change that ASC Topic 842 makes is to lessee accounting. Under existing accounting standards, lessees recognize lease assets and lease liabilities on the balance sheet for capital leases, but do not recognize operating leases on the balance sheet. The lessee accounting model under ASC Topic 842 retains the distinction between operating leases and capital leases, which the new standard labels finance leases. However, the new standard requires lessees to record a right-of-use (ROU) asset and a lease liability on the balance sheet for operating leases. (For finance leases, a lessee's lease asset also is designated an ROU asset.) In general, the new standard permits a lessee to make an accounting policy election to exempt leases with a term of one year or less at their commencement date from on-balance sheet recognition. The lease term generally includes the noncancellable period of a lease as well as purchase options and renewal options reasonably certain to be exercised by the lessee, renewal options controlled by the lessor, and any other economic incentive for the lessee to extend the lease. An economic incentive may include a related-party commitment. When preparing to implement ASC Topic 842, lessees will need to analyze their existing lease contracts to determine the entries to record on adoption of this new standard.

For a sale-leaseback transaction to qualify for sales treatment, ASC Topic 842 requires certain criteria within ASC Topic 606 to be met. ASC Topic 606 focuses on the transfer of control of the leased asset from the seller/lessee to the buyer/lessor. A sale-leaseback transaction that does not transfer control is accounted for as a financing arrangement. For a transaction currently accounted for as a sale-leaseback under existing U.S. GAAP, an entity is not required to reassess whether the transaction would have qualified as a sale and a leaseback under ASC Topic 842 when it adopts the new standard.

Leases classified as leveraged leases prior to the adoption of ASC Topic 842 may continue to be accounted for under ASC Topic 840 unless subsequently modified. ASC Topic 842 eliminates leveraged lease accounting for leases that commence after an institution adopts the new accounting standard.

For institutions that are public business entities, as defined under U.S. GAAP, ASU 2016-02 is currently in effect. For institutions that are not public business entities (i.e., that are private companies), ASU 2016-02, as amended in 2019, was scheduled to take effect for fiscal years beginning after December 15, 2020, and interim reporting periods within fiscal years beginning after December 15, 2021. However, to provide immediate, near-term relief because of the significant business disruptions caused by the COVID-19 pandemic, the FASB issued ASU No. 2020-05, "Effective Dates for Certain Entities," on June 3, 2020, to defer, for one year, the required effective date of the new lease accounting standard for entities not yet required to adopt ASU 2016-02. As a result, ASU 2016-02 will now take effect for institutions that are private companies for fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022. Early application of ASU 2016-02 continues to be permitted. An institution that early adopts the new standard must apply it in its entirety to all lease-related transactions. If an institution chooses to early adopt the new standard for financial reporting purposes, the institution should implement the new standard in its Call Report for the same quarter-end report date.

Under ASU 2016-02, an institution must apply the new leases standard on a modified retrospective basis for financial reporting purposes. Under the modified retrospective method, an institution should apply the leases standard and the related cumulative-effect adjustments to affected accounts existing as of the beginning of the

earliest period presented in the financial statements. However, as explained in the "Changes in accounting principles" section of the Glossary entry for "Accounting Changes" in the Call Report instructions, when a new accounting standard (such as the leases standard) requires the use of a retrospective application method, institutions should instead report the cumulative effect of adopting the new standard on the amount of retained earnings at the beginning of the year in which the new standard is first adopted for Call Report purposes (net of applicable income taxes, if any) as a direct adjustment to equity capital in the Call Report. For the adoption of the new leases standard, the cumulative-effect adjustment to bank equity capital for this change in accounting principle should be reported in Schedule RI-A, item 2, and disclosed in Schedule RI-E, item 4.b, "Effect of adoption of lease accounting standard - ASC Topic 842." In July 2018, the FASB issued ASU 2018-11, "Targeted Improvements," which provides an additional and "optional transition method" for comparative reporting purposes at adoption of the new leases standard. Under this optional transition method, an institution initially applies the new leases standard at the adoption date (e.g., January 1, 2022, for an institution that is a private company with a calendar year fiscal year) and, for Call Report purposes, the institution should recognize and report a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with the Glossary instructions described above.

For Call Report purposes, all ROU assets for operating leases and finance leases, including ROU assets for operating leases recorded upon adoption of ASU 2016-02, should be reflected in Schedule RC, item 6, "Premises and fixed assets."

Institutions that have adopted ASU 2016-02 should report the lease liability for operating leases on the Call Report balance sheet in Schedule RC, item 20, ''Other liabilities.'' In Schedule RC-G, Other Liabilities, operating lease liabilities should be reported in item 4, "All other liabilities." In addition, institutions should report the amount of operating lease liabilities in Schedule RC-G, item 4.e, if this amount is greater than $100,000 and exceeds 25 percent of the total amount reported in Schedule RC-G, item 4. Lease liabilities for finance leases should be reported in Schedule RC-M, items 5.b, "Other borrowings," and 10.b, "Amount of 'Other borrowings' that are secured."

For an operating lease, a lessee should report a single lease cost for the lease in the Call Report income statement, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, in Schedule RI, item 7.b, "Expenses of premises and fixed assets." For a finance lease, a lessee should report interest expense on the lease liability separately from the amortization expense on the ROU asset. The interest expense should be reported on Schedule RI in item 2.c, "Other interest expense," on the FFIEC 051 and in item 2.c, "Interest on trading liabilities and other borrowed money," on the FFIEC 031 and the FFIEC 041. The amortization expense should be reported on Schedule RI in item 7.b, "Expenses of premises and fixed assets."

To the extent an ROU asset arises due to a lessee's lease of a tangible asset (e.g., building or equipment), the ROU asset should be treated as a tangible asset not subject to deduction from regulatory capital. Except for institutions that have a community bank leverage ratio framework election in effect, an ROU asset not subject to deduction must be risk weighted at 100 percent in accordance with the agencies' regulatory capital rules and included in a lessee institution's calculations of total risk-weighted assets. In addition, an ROU asset must be included in a lessee institution's total assets for leverage capital purposes.

For additional information on ASU 2016-02, institutions should refer to the FASB's website at https://www.fasb.org/leases, which includes a link to the lease accounting standard and subsequent amendments to this standard. Institutions may also refer to the Glossary entry for "Lease Accounting" in the Call Report instruction books, which was updated as of September 30, 2020, in response to the changes in the accounting for leases summarized above.

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 the same processes as the original filing. 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@cdr.ffiec.gov.

Other Reporting Matters

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

- U.S. Department of the Treasury Emergency Capital Investment Program – Supplemental Instructions for December 31, 2021 (https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_FFIEC051_suppinst_202112.pdf)
- Appendix I: Coronavirus Aid, Relief, and Economic Security Act: Accounting and Reporting Considerations – Supplemental Instructions for December 31, 2020 (https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_FFIEC051_suppinst_202012.pdf)
- True-up Liability under an FDIC Loss-Sharing Agreement – Supplemental Instructions for June 30, 2015 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201506.pdf)
- Troubled Debt Restructurings, Current Market Interest Rates, and ASU No. 2011-02 – Supplemental Instructions for December 31, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201412.pdf)
- Determining the Fair Value of Derivatives – Supplemental Instructions for June 30, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf)
- Indemnification Assets and ASU No. 2012-06 – Supplemental Instructions for June 30, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf)
- Small Business Lending Fund – Supplemental Instructions for March 31, 2013 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201303.pdf)
- Reporting Purchased Subordinated Securities in Schedule RC-S – Supplemental Instructions for September 30, 2011 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Treasury Department's Capital Purchase Program – Supplemental Instructions for September 30, 2011 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Deposit insurance assessments – Supplemental Instructions for September 30, 2009 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.pdf)
- Accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* – Supplemental Instructions for December 31, 2006 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200612.pdf)
- Commitments to originate and sell mortgage loans – Supplemental Instructions for March 31, 2006 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf) and June 30, 2005 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200506.pdf)

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