

ATTACHMENT 3

Interim guidance pertaining to the Accounting Standards Update (ASU) 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” for the FFIEC 002, FR 2886, FR Y-11, FR 2314, FR Y-7N and FR Y-15

In January of 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities.” In its summary of this ASU, the FASB described how one of the main provisions of the ASU differs from current U.S. generally accepted accounting principles (GAAP) as follows:

The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. An entity’s equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of this Update.

For institutions that are public business entities, as defined in U.S. GAAP, ASU 2016-01 is effective for fiscal years beginning after December 31, 2017. For all other institutions, the ASU is effective for fiscal years beginning after December 31, 2018. Therefore, institutions that are public business entities must report their holdings of equity securities and other equity investments in accordance with the ASU within the existing structure of the FR 2886b, FFIEC 002, FR Y-11, FR 2314, FR Y-7N and FR Y-15 beginning with the March 31, 2018, report date. As a result, the Board is providing interim guidance for the March 31, 2018, report date advising institutions that have adopted the ASU on how to properly report equity securities and other equity investments within these reports. Please see the interim guidance below for each applicable report.

FR 2886b

(a) Report realized and unrealized holding gains (losses) on equity securities not held for trading in the appropriate subitem of either item 5 (noninterest income) or item 7 (noninterest expense) of Schedule RI (Income Statement), as applicable. In addition to realized and unrealized holding gains (losses) during the year-to-date reporting period on such equity investments with readily determinable fair values, institutions should also report in Schedule RI, item 5 or 7, as applicable, the year-to-date carrying amounts of equity investments without readily determinable fair values not held for trading (i.e., unrealized holding gains (losses) for those measured at fair value through earnings, impairment, if any, plus or minus changes resulting from observable price changes for those equity investments for which this measurement election is made). For institutions that have adopted ASU 2016-01, (Schedule RI,

item 6 (realized gains (losses) on securities not held in trading accounts) would only include realized gains (losses) on available-for-sale debt securities;

(b) Measure holdings of equity securities and other equity investments without readily determinable fair values not held for trading in accordance with the ASU and continue to report them in Schedule RC (Balance Sheet), item 8 (Other assets); and

(c) Continue to report the historical cost and fair value of their holdings of equity securities with readily determinable fair values not held for trading (which were reportable as available-for-sale equity securities prior to the adoption of ASU 2016-01) in Schedule RC-B (Securities), item 3 (Equity interest in nonrelated organizations), columns C and D, respectively.

FFIEC 002

(a) Continue to report the fair value and historical cost of their holdings of equity securities with readily determinable fair values not held for trading (which were reportable as available-for-sale equity securities prior to the adoption of ASU 2016-01) in existing Memorandum items 3 and 4 (fair value and amortized cost of available-for-sale securities, respectively) of Schedule RAL (Assets and Liabilities);

(b) Measure their holdings of equity securities and other equity investments without readily determinable fair values not held for trading in accordance with the ASU and continue to report them in Schedule RAL, item 1.h (Other assets including other claims on nonrelated parties);

(c) Report Schedule K (Quarterly Averages), item 5 (Total claims on nonrelated parties), consistent with the measurement of Schedule RAL, item 1.i (Total claims on nonrelated parties), except that all debt securities not held for trading should be measured on an amortized cost basis;

(d) Report Schedule O (Other Data for Deposit Insurance Assessments), item 4 (Average consolidated total assets for the calendar quarter), consistent with the measurement of Schedule RAL, item 3 (Total assets), except that all debt securities not held for trading should be measured at amortized cost; and

(e) continue to report the amount from Memorandum item 3 of Schedule RAL in Schedule Q (Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis), item 1 (Available-for-sale securities), column A.

FR Y-11

(a) Report realized and unrealized holding gains (losses) on equity securities not held for trading in the appropriate sub item of either item 5 (noninterest income) or item 7 (noninterest expense) of Schedule IS (income statement), as applicable. In addition to realized and

unrealized holding gains (losses) during the year-to-date reporting period on such equity investments with readily determinable fair values, institutions should also report in schedule IS, item 5 or 7, as applicable, the year-to-date carrying amounts of equity investments without readily determinable fair values not held for trading (i.e., unrealized holding gains (losses) for those measured at fair value through earnings, impairment, if any, plus or minus changes resulting from observable price changes for those equity investments for which this measurement election is made). For institutions that have adopted ASU 2016-01, schedule IS, item 6 (realized gains (losses) on securities not held in trading accounts) would only include realized gains (losses) on available-for-sale debt securities;

- (b) measure holdings of equity securities and other equity investments without readily determinable fair values not held for trading in accordance with the ASU and continue to report them in schedule BS (balance sheet), item 7 (all other assets); and
- (c) continue to report the historical cost and fair value of their holdings of equity securities with readily determinable fair values not held for trading as available-for-sale equity securities in schedule BS, item 2.b. (available for sale securities).

FR 2314

- (a) Report realized and unrealized holding gains (losses) on equity securities not held for trading in the appropriate sub item of either item 5 (noninterest income) or item 7 (noninterest expense) of Schedule IS (income statement), as applicable. In addition to realized and unrealized holding gains (losses) during the year-to-date reporting period on such equity investments with readily determinable fair values, institutions should also report in schedule IS, item 5 or 7, as applicable, the year-to-date carrying amounts of equity investments without readily determinable fair values not held for trading (i.e., unrealized holding gains (losses) for those measured at fair value through earnings, impairment, if any, plus or minus changes resulting from observable price changes for those equity investments for which this measurement election is made). For institutions that have adopted ASU 2016-01, schedule IS, item 6 (realized gains (losses) on securities not held in trading accounts) would only include realized gains (losses) on available-for-sale debt securities;
- (b) measure holdings of equity securities and other equity investments without readily determinable fair values not held for trading in accordance with the ASU and continue to report them in schedule BS (balance sheet), item 7 (all other assets); and
- (c) continue to report the historical cost and fair value of their holdings of equity securities with readily determinable fair values not held for trading as available-for-sale equity securities in schedule BS, item 2.b. (available for sale securities).

FR Y-7N

- (a) Report realized and unrealized holding gains (losses) on equity securities not held for trading in the appropriate sub item of either item 5 (noninterest income) or item 7 (noninterest expense) of Schedule IS (income statement), as applicable. In addition to realized and unrealized holding gains (losses) during the year-to-date reporting period on such equity

investments with readily determinable fair values, institutions should also report in schedule IS, item 5 or 7, as applicable, the year-to-date carrying amounts of equity investments without readily determinable fair values not held for trading (i.e., unrealized holding gains (losses) for those measured at fair value through earnings, impairment, if any, plus or minus changes resulting from observable price changes for those equity investments for which this measurement election is made). For institutions that have adopted ASU 2016-01, schedule IS, item 6 (realized gains (losses) on securities not held in trading accounts) would only include realized gains (losses) on available-for-sale debt securities;

- (b) measure holdings of equity securities and other equity investments without readily determinable fair values not held for trading in accordance with the ASU and continue to report them in schedule BS (balance sheet), item 7 (all other assets); and
- (c) continue to report the historical cost and fair value of their holdings of equity securities with readily determinable fair values not held for trading as available-for-sale equity securities in schedule BS, item 2.b. (available for sale securities.)

FR Y-15

- (a) Continue to report the historical cost and fair value of their holdings of equity securities with readily determinable fair values not held for trading as available-for-sale equity securities in Schedule D, item 5 (available for sale securities.) Please note that this item is automatically retrieved from the FR Y-9C. However, this item will now include data from Schedule HC, item 2.b. (available for sale securities) and the newly created item 2.c. (equity securities with readily determinable fair values not held for trading.) The corresponding instructional clarifications for Schedule D, item 5 (available for sale securities) in the FR Y-15 are simply technical adjustments to ensure banking organizations continue to capture the same exposures as part of the Complex indicator in previous years.”