DEPARTMENT OF TREASURY
Office of the Comptroller of the Currency
12 CFR Part 3
[Docket ID OCC–2020–0010]
RIN 1557–AE82
FEDERAL RESERVE SYSTEM
12 CFR Part 217
[Regulation Q; Docket No. R–1708]
RIN 7100–AF82
FEDERAL DEPOSIT INSURANCE CORPORATION
12 CFR Part 324
RIN 3064–AF42
Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances
AGENCY: Office of the Comptroller of the Currency, Treasury; the Board of Governors of the Federal Reserve System; and the Federal Deposit Insurance Corporation.
ACTION: Interim final rule, request for comment.

SUMMARY: The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are inviting comment on an interim final rule that delays the estimated impact on regulatory capital stemming from the implementation of Accounting Standards Update No. 2016–13, Financial Instruments—Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments (CECL.). The interim final rule provides banking organizations that implement CECL before the end of 2020 the option to delay for two years an estimate of CECL’s effect on regulatory capital, relative to the incurred loss methodology’s effect on regulatory capital, followed by a three-year transition period. The agencies are providing this relief to allow such banking organizations to better focus on supporting lending to creditworthy households and businesses in light of recent strains on the U.S. economy as a result of the coronavirus disease 2019 (COVID–19), while also maintaining the quality of regulatory capital.

DATES: Effective date: The interim final rule is effective March 31, 2020.
Comment date: Comments on the interim final rule must be received no later than May 15, 2020.

ADDRESSES: Interested parties are encouraged to submit written comments jointly to all of the agencies. Commenters are encouraged to use the title “Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances” to facilitate the organization and distribution of comments among the agencies. Commenters are also encouraged to identify the number of the specific question for comment to which they are responding. Comments should be directed to:
OCC: You may submit comments to the OCC by any of the methods set forth below. Commenters are encouraged to submit comments through the Federal eRulemaking Portal or email, if possible. Please use the title “Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances” to facilitate the organization and distribution of the comments. You may submit comments by any of the following methods:
Federal eRulemaking Portal—
“Regulations.gov Classic or Regulations.gov Beta”
Regulations.gov Classic: Go to https://www.regulations.gov/. Enter “Docket ID OCC–2020–0010” in the Search Box and click “Search.” Click on “Comment Now” to submit public comments. For help with submitting effective comments please click on “View Commenter’s Checklist.” Click on the “Help” tab on the Regulations.gov home page to get information on using Regulations.gov, including instructions for submitting public comments.
Regulations.gov Beta: Go to https://beta.regulations.gov/ or click “Visit New Regulations.gov Site” from the Regulations.gov Classic homepage. Enter “Docket ID OCC–2020–0010” in the Search Box and click “Search.” Public comments can be submitted via the “Comment” box below the displayed document information or by clicking on the document title and then clicking the “Comment” box on the top-left side of the screen. For help with submitting effective comments please click on “Commenter’s Checklist.” For assistance with the Regulations.gov Beta site, please call (877) 378–5457 (toll free) or (703) 454–9859 Monday–Friday, 9 a.m.–5 p.m. ET or email regulations@erulemakinghelpdesk.com.
E-mail: regs.comments@occ.federalreserve.gov

Instructions: You must include “OCC” as the agency name and “Docket ID OCC–2020–0010” in your comment. In general, the OCC will enter all comments received into the docket and publish the comments on the Regulations.gov website without change, including any business or personal information that you provide such as name and address information, email addresses, or phone numbers. Comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not include any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

You may review comments and other related materials that pertain to this rulemaking action by any of the following methods:
• Viewing Comments Electronically—
Regulations.gov Classic or Regulations.gov Beta:
Regulations.gov Classic: Go to https://www.regulations.gov/. Enter “Docket ID OCC–2020–0010” in the Search box and click “Search.” Click on “Open Docket Folder” on the right side of the screen. Comments and supporting materials can be viewed and filtered by clicking on “View all documents and comments in this docket” and then using the filtering tools on the left side of the screen. Click on the “Help” tab on the Regulations.gov home page to get information on using Regulations.gov. The docket may be viewed after the close of the comment period in the same manner as during the comment period.
Regulations.gov Beta: Go to https://beta.regulations.gov/ or click “Visit New Regulations.gov Site” from the Regulations.gov Classic homepage. Enter “Docket ID OCC–2020–0010” in the Search Box and click “Search.” Click on the “Comments” tab. Comments can be viewed and filtered by clicking on the “Sort By” drop-down on the right side of the screen or the “Refine Results” options on the left side of the screen. Supporting materials can be viewed by clicking on the “Documents” tab and filtered by clicking on the “Sort By” drop-down on the right side of the screen or the “Refine Results” options on the left side of the screen. For assistance with the Regulations.gov Beta site, please call (877) 378–5457 (toll free) or (703) 454–9859 Monday–Friday, 9 a.m.–5 p.m. ET or email regulations@erulemakinghelpdesk.com.
The docket may be viewed after the close of the comment period in the same manner as during the comment period.

Board: You may submit comments identified by Docket No. R-1708 and RIN 7100–AF82, by any of the following methods:

- **Email:** [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include docket number and RIN in the subject line of the message.
- **Fax:** (202) 452–3819 or (202) 452–3102.
- **Mail:** Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551.

All public comments are available from the Board’s website at [http://www.federalreserve.gov/genericinfo/foia/ProposedRegs.cfm](http://www.federalreserve.gov/genericinfo/foia/ProposedRegs.cfm) as submitted, unless modified for technical reasons or to remove sensitive personally identifiable information at the commenter’s request. Public comments may also be viewed electronically or in paper form in Room 146, 1709 New York Avenue NW, Washington, DC 20006, between 9:00 a.m. and 5:00 p.m. on weekdays.

**FDIC:** You may submit comments, identified by RIN 3064–AF42, by any of the following methods:

- **Agency Website:** [https://www.fdic.gov/regulations/laws/federal/](https://www.fdic.gov/regulations/laws/federal/). Follow the instructions for submitting comments on the Agency website.
- **Email:** [comments@fdic.gov](mailto:comments@fdic.gov). Include the RIN 3064–AF42 in the subject line of the message.
- **Mail:** Robert E. Feldman, Executive Secretary, Attention: Comments/Legal ESS, Federal Deposit Insurance Corporation, 550 17th Street NW, Washington, DC 20429.

**Hand Delivery/Courier:** Comments may be hand-delivered to the guard station at the rear of the 550 17th Street NW, building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m.

**Instructions:** Comments submitted must include “FDIC” and “RIN 3064–AF42.” Comments received will be posted without change to [https://www.fdic.gov/regulations/laws/federal/](https://www.fdic.gov/regulations/laws/federal/), including any personal information provided.

**FOR FURTHER INFORMATION CONTACT:**

- **OCC:** Margot Schwadron, Director, or Benjamin Pegg, Risk Expert, Capital and Regulatory Policy, (202) 649–6370; or Kevin Korzeniowski, Counsel, or Marta Stewart-Bates, Senior Attorney, Chief Counsel’s Office, (202) 649–5490, for persons who are deaf or hearing impaired, TTY, (202) 649–5597, Office of the Comptroller of the Currency, 400 7th Street SW, Washington, DC 20219.
- **Board:** Constance M. Horsley, Deputy Associate Director, (202) 452–5239; Juan C. Climent, Manager, (202) 872–7526; Andrew Willis, Lead Financial Institution Policy Analyst, (202) 912–4323; or Michael Ofori-Kuragu, Senior Financial Institution Policy Analyst II, (202) 475–6623, Division of Supervision and Regulation; or Benjamin W. McDonough, Assistant General Counsel, (202) 452–2036; David W. Alexander, Senior Counsel, (202) 452–2877; or Jonah Kind, Senior Attorney, (202) 452–2045, Legal Division, Board of Governors of the Federal Reserve System, 20th and C Streets NW, Washington, DC 20551. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), (202) 263–4899.

**FDIC:** Bobby R. Bean, Associate Director, bbean@fdic.gov; Benedetto Bosco, Chief, Capital Policy Section, bbosco@fdic.gov; Noah Cuttler, Senior Policy Analyst, ncuttler@fdic.gov; Andrew Carayannis, Senior Policy Analyst, acarayannis@fdic.gov; Regulatory Capital Branch, Division of Risk Management Supervision, (202) 898–6888; or Michelle Phillips, Counsel, mphillips@fdic.gov; Catherine Wood, Counsel, cwood@fdic.gov; Francis Kuo, Counsel, fkuo@fdic.gov; Supervision and Legislation Branch, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street NW, Washington, DC 20429. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), (800) 925–4613.

**SUPPLEMENTARY INFORMATION:**

Table of Contents

I. Background

II. The Interim Final Rule
   A. Approximating the Impact of CECL
   B. Mechanics of the Five-Year Transition Option
   C. Other Key Revisions
   III. Impact Assessment
   IV. Administrative Law Matters
      A. Administrative Procedure Act
      B. Congressional Review Act
      C. Paperwork Reduction Act
      D. Regulatory Flexibility Act
      E. Riegel Community Development and Regulatory Improvement Act of 1994
   F. Plain Language
   G. Unfunded Mandates Reform Act

I. Background

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016–13, Financial Instruments—Credit Losses, Topic 326. Measurement of Credit Losses on Financial Instruments. The update resulted in significant changes to credit loss accounting under U.S. generally accepted accounting principles (U.S. GAAP). The revisions to credit loss accounting under U.S. GAAP included the introduction of the current expected credit losses methodology (CECL), which replaces the incurred loss methodology for financial assets measured at amortized cost. For these assets, CECL requires banking organizations to recognize lifetime expected credit losses and to incorporate reasonable and supportable forecasts in developing an estimate of lifetime expected credit losses, while also maintaining the current requirement that banking organizations consider past events and current conditions.

On February 14, 2019, the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) issued a final rule that revised certain regulations to account for the aforementioned changes to credit loss accounting under U.S. GAAP, including CECL (the 2019 CECL rule). The 2019 CECL rule revised the agencies’ regulatory capital rule (capital rule), stress testing rules, and regulatory disclosure requirements to reflect CECL, and made conforming amendments to other regulations that reference credit loss allowances. The 2019 CECL rule applied to banking organizations that file regulatory reports that are uniform and consistent with U.S. GAAP, including banking.

---


2. Banking organizations subject to the capital rule include national banks, state member banks, state nonmember banks, savings associations, and top-tier bank holding companies and savings and loan holding companies domiciled in the United States not subject to the Board’s Small Bank Holding Company Policy Statement (12 CFR part 215, appendix C), but excluding certain savings and loan holding companies that are substantially engaged in insurance underwriting or commercial activities or that are estate trusts, and bank holding companies and savings and loan holding companies that are employee stock ownership plans.

3. 84 FR 4222 (February 14, 2019).


5. See U.S. 1311n. See also current versions of the following: Instructions for Preparation of Consolidated Financial Statements for Holding Companies, Reporting Form FR Y–9C Instructions.
organizations that are subject to the capital rule and those that are subject to stress testing requirements. The 2019 CECL rule also included a transition option that allows banking organizations to phase in over a three-year period the day-one adverse effects of CECL on their regulatory capital ratios. The agencies intended for the transition option to address concerns that despite adequate capital planning, unexpected economic conditions at the time of CECL adoption could result in higher-than-anticipated increases in allowances. This is largely because CECL requires banking organizations to consider current and future expected economic conditions to estimate credit loss allowances.

The spread of coronavirus disease 2019 (COVID–19) has disrupted economic activity in many countries, including the United States. While the U.S. government is taking significant steps to mitigate the magnitude and persistence of the effects of COVID–19, the magnitude and persistence of the overall economic effects remain highly uncertain. This uncertainty has presented significant operational challenges to banking organizations at the same time they have been required to direct significant resources to implement CECL. In addition, due to the nature of CECL and the uncertainty of future economic forecasts, banking organizations that have adopted CECL may continue to experience higher-than-anticipated increases in credit loss allowances.

To address these concerns and allow banking organizations to better focus on supporting lending to creditworthy households and businesses, the agencies are providing banking organizations that adopt in the current environment an alternate option to temporarily delay a measure of CECL’s effect on regulatory capital, relative to the incurred loss methodology. The transitional relief provided in the interim final rule is intended to be simple to implement without imposing undue operational burden, while reducing the potential for competitive inequities across banking organizations during this time of economic uncertainty and maintaining the quality of regulatory capital.

II. The Interim Final Rule

The interim final rule provides banking organizations that adopt CECL during the 2020 calendar year with the option to delay for two years the estimated impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during the initial two-year delay (i.e., a five-year transition, in total). The interim final rule does not replace the current three-year transition option in the 2019 CECL rule, which remains available to any banking organization at the time that it adopts CECL. Banking organizations that have already adopted CECL have the option to elect the three-year transition option contained in the 2019 CECL rule or the five-year transition contained in the interim final rule, beginning with the March 31, 2020, Call Report or FR Y–9C. A banking organization is eligible to use the interim final rule’s five-year transition if it was required to adopt CECL for purposes of U.S. GAAP (as in effect January 1, 2020) for a fiscal year that begins during the 2020 calendar year, and elects to use the transition option in a Call Report or FR Y–9C (electing banking organization). The interim final rule provides electing banking organizations with a methodology for delaying the effect on regulatory capital of an estimated amount of the increase in the allowance for credit loss (ACL) that can be attributed to the adoption of CECL, relative to the increase in the allowance for loan and lease losses (ALLL) that would occur for banking organizations operating under the incurred loss methodology.

A. Approaching the Impact of CECL

The agencies considered different ways to determine the portion of credit loss allowances attributable to CECL eligible for the transitional relief provided in this interim final rule. To best capture the effects of CECL on regulatory capital, it would be necessary for a banking organization to charge against retained earnings (and common equity tier 1 capital), on a quarterly basis, provisions for credit losses estimated under the incurred loss methodology, and to exclude additional provisions for credit losses estimated under CECL. This approach, however, would require a banking organization to maintain the equivalent of two separate loss provisioning processes. For many banking organizations that have adopted CECL, it may be burdensome to track credit loss allowances under both CECL and the incurred loss methodology, due to significant CECL-related changes already incorporated in internal systems or third-party vendor systems. To address this concern regarding burden and to promote a consistent approach across electing banking organizations, the interim final rule provides a uniform approach for estimating the effect of CECL during the five-year transition period. Specifically, the interim final rule introduces a scaling factor that approximates the average after-tax provision for credit losses attributable to CECL, relative to the incurred loss methodology, in a given reporting quarter. The interim final rule uses a 25 percent scaling factor as an approximation of the impact of differences in credit loss allowances reflected under CECL versus the incurred loss methodology. Various analyses suggest that credit losses under CECL can be expected to be higher than under the incurred loss methodology. The calibration of the scaling factor is also designed to promote competitive equity in the current economic environment between electing banking organizations and those banking organizations that have not yet adopted CECL.

B. Mechanics of the Five-Year Transition Provision

An electing banking organization must calculate transitional amounts for the following items: Retained earnings, temporary difference deferred tax assets (DTAs), and credit loss allowances eligible for inclusion in regulatory capital. For each of these items, the transitional amount is equal to the difference between the electing banking organization’s closing balance sheet amount for the fiscal year-end immediately prior to its adoption of CECL (pre-CECL amount) and its balance sheet amount as of the beginning of the fiscal year in which it adopts CECL (post-CECL amount). To calculate the transition for these items, an electing banking organization must first calculate the CECL transitional amount, the adjusted allowances for credit losses (AACL) transitional amount, and the DTA transitional amount, consistent with the 2019 CECL

---

rule. The CECL transitional amount is equal to the difference between an
electing banking organization’s pre-CECL and post-CECL amounts of
retained earnings at adoption. The 
AACl transitional amount is equal to the difference between an electing 
banking organization’s pre-CECL amount of ALLL and its post-CECL 
amount of AACL at adoption. The DTA transitional amount is the difference 
between an electing banking organization’s pre-CECL amount and 
post-CECL amount of DTAs at adoption due to temporary differences.

An electing banking organization must adjust several key inputs to 
regulatory capital for purposes of the five-year transition. First, an electing 
banking organization must increase retained earnings by a modified CECL 
transitional amount. The modified CECL transitional amount is similar to the 
CECL transitional amount, but is adjusted to reflect changes in retained earnings due to CECL that occur during 
the first two years of the five-year transition period. The change in 
retained earnings due to CECL is calculated by taking the change in 
reported AACL relative to the day CECL was adopted, and applying a scaling multiplier of .25 during the first two years of the transition period.

Second, an electing banking organization must decrease AACL by the 
modified AACL transitional amount. The modified AACL transitional amount 
is similar to the AACL transitional amount, but reflects the change in 
AACl due to CECL that occurs during the first two years of the five-year 
transition period. The change in AACL due to CECL is calculated with the same 
method used for the modified CECL transitional amount.

Two additional regulatory capital inputs—temporary difference DTAs, and 
average total consolidated assets—are also subject to adjustments.

Reported average total consolidated assets for purposes of the leverage ratio 
is increased by the amount of the modified CECL transitional amount, and 
temporary difference DTAs are decreased by the DTA transitional 
amount as under the 2019 CECL rule.

The modified CECL and AACL 
transitional amounts will be calculated on a quarterly basis during the first two 
years of the transition period. An 
electing banking organization will 
reflect the modified transitional amount which includes 100 percent of the day 
one impact of CECL plus the quarterly changes that result from CECL in 
transitions amounts applied to regulatory 
capital calculations. After two years, the 
cumulative amount of quarterly-
modified transitional amounts become 
fixed and are phased out of regulatory 
capital along with the transitional 
amounts that were calculated to reflect 
the day one impact of CECL. The 
transitional phase out occurs over the 
subsequent three-year period: 75 percent of transitional amounts are 
recognized in regulatory capital in year three; 50 percent in year four; and 25 
percent in year five. After that point the banking organization would have fully 
reversed out the temporary regulatory capital benefits of the two-year delay 
and adjustments.

Finally, an electing banking organization will apply the adjustments 
calculated above during each quarter of the transition period for purposes of 
calculating the banking organization’s 
regulatory capital. No adjustments are 
reflected in balance sheet or income statement amounts. The banking 
organization reflects the transition adjustment to the extent the banking 
orrganization has reflected CECL in the Call Report or FR Y–9C, as applicable, 
in that quarter. If the Coronavirus Aid, 
Relief, and Economic Security Act 
(CARES Act) becomes law and a 
banking organization chooses to revert 
to the incurred loss methodology 
pursuant to the CARES Act in any 
quarter in 2020, the banking 
organization would not apply any 
transition amounts in that quarter but 
would be allowed to apply the 
transition in subsequent quarters when 
the banking organization returns to the 
use of CECL. However, an institution 
that has elected the transition, but does 
not apply it in any quarter, does not 
receive any extension of the transition 
period.

C. Other Key Revisions

The interim final rule similarly 
adjusts the transitional amounts related 
to eligible credit reserves for advanced 
approaches banking organizations 7 that 
elect to use the 2020 CECL five-year 
transition option. The interim final rule also adjusts the transitional amounts 
related to the supplementary 
leverage

<table>
<thead>
<tr>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>75%</td>
<td>50%</td>
<td>25%</td>
</tr>
</tbody>
</table>

7 Except banking organizations if (i) (1) is a global systemically important bank holding company, (2) is a Category II banking organization, (3) has elected to be an advanced approaches banking organization, (4) is a subsidiary of a company that is an advanced approaches banking organization, or (5) has a subsidiary depository institution that is an advanced approaches banking organization. See 12 CFR 3.100 (OCC); 12 CFR 217.100 (Board); 12 CFR 324.100 (FDIC).

8 Except banking organizations if (1) (1) is a global systemically important bank holding company, (2) is a Category II banking organization, (3) has elected to be an advanced approaches banking organization, (4) is a subsidiary of a company that is an advanced approaches banking organization, or (5) has a subsidiary depository institution that is an advanced approaches banking organization. See 12 CFR 3.100 (OCC); 12 CFR 217.100 (Board); 12 CFR 324.100 (FDIC).
The Board is extending the due date for the Y–14A collection of supplemental CECL information from April 4th until May 11th (due date of the March 31 FR Y–90) and is including changes in the Y–14A instructions to align with the changes outlined in the interim final rule. These changes are effective for the submission associated with the FR Y–14 as of December 31, 2019.

Under the Federal Reserve’s December 2018 amendments to its stress test rules, a banking organization that had adopted CECL in 2020 was required to include the impact of CECL into their stressed projections beginning in the 2020 stress testing cycle. As a result of this interim final rule, firms that had adopted CECL have the option to either include the adjustments from this interim final rule in their 2020 stress projections or delay doing so. As noted in the 2020 CCAR summary impact, the Federal Reserve will not issue supervisory findings on banking organizations’ stressed estimates of allowances under CECL until the 2022 CCAR cycle, at the earliest.

A. Administrative Procedure Act

The agencies are issuing this interim final rule without prior notice and the opportunity for public comment and the 30-day delayed effective date ordinarily prescribed by the Administrative Procedure Act (APA). 10 Pursuant to section 553(b)(B) of the APA, general notice and the opportunity for public comment are not required with respect to a rulemaking when an “agency for good cause finds (and incorporates the finding and a brief statement of reasons therefore in the rules issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest.” 11

The agencies believe that the public interest is best served by implementing the interim final rule as soon as possible. As discussed above, recent events have suddenly and significantly affected global economic activity. In addition, financial markets have experienced significant volatility. The magnitude and persistence of the overall effects on the economy remain highly uncertain.

The CECL transition rule was adopted by the agencies to address concerns that despite adequate capital planning, uncertainty about the economic environment at the time of CECL adoption could result in higher-than-anticipated increases in credit loss allowances. Because of recent economic dislocations and disruptions in financial markets, banking organizations may face higher-than-anticipated increases in credit loss allowances. The interim final
rule is intended to mitigate some of the uncertainty that comes with the increase in credit loss allowances during a challenging economic environment by temporarily limiting the approximate effects of CECL in regulatory capital. This will allow banking organizations to better focus on supporting lending to creditworthy households and businesses.

The APA also requires a 30-day delayed effective date, except for (1) substantive rules which grant or recognize an exemption or relieve a restriction; (2) interpretative rules and statements of policy; or (3) as otherwise provided by the agency for good cause. Because the rules relieve a restriction, the interim final rule is exempt from the APA’s delayed effective date requirement. Additionally, the agencies find good cause to publish the interim final rule with an immediate effective date for the same reasons set forth above under the discussion of section 553(b)(8) of the APA.

While the agencies believe that there is good cause to issue the rule without advance notice and comment and with an immediate effective date, the agencies are interested in the views of the public and requests comment on all aspects of the interim final rule.

B. Congressional Review Act

For purposes of Congressional Review Act, the OMB makes a determination as to whether a final rule constitutes a “major” rule. If a rule is deemed a “major” rule by the Office of Management and Budget (OMB), the Congressional Review Act generally provides that the rule may not take effect until at least 60 days following its publication.

The Congressional Review Act defines a “major rule” as any rule that the Administrator of the Office of Information and Regulatory Affairs of the OMB finds has resulted in or is likely to result in (A) an annual effect on the economy of $100,000,000 or more; (B) a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies or geographic regions, or (C) significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets.

For the same reasons set forth above, the agencies are adopting the interim final rule without the delayed effective date generally prescribed under the Congressional Review Act. The delayed effective date required by the Congressional Review Act does not apply to any rule for which an agency for good cause finds (and incorporates the finding and a brief statement of reasons therefor in the rule issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest. In light of current market uncertainty, the agencies believe that delaying the effective date of the rule would be contrary to the public interest.

As required by the Congressional Review Act, the agencies will submit the final rule and other appropriate reports to Congress and the Government Accountability Office for review.

C. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3521) (PRA) states that no agency may conduct or sponsor, nor is the respondent required to respond to, an information collection unless it displays a currently valid OMB control number. The interim final rule affects the agencies’ current information collections for the Call Reports (OCC OMB Control No. 1557–0081; Board OMB Control No. 7100–0036; and FDIC OMB Control No. 3064–0052) and the FFIEC 101 (OCC OMB Control No. 1557–0239; Board OMB Control No. 7100–0319; FDIC OMB Control No. 3064–0159). The Board has reviewed this interim final rule pursuant to authority delegated by the OMB.

While this interim final rule contains no information collection requirements, the agencies have determined that there are changes that should be made to the Call Reports and the FFIEC 101 as a result of this rulemaking. Although there may be a substantive change resulting from the temporary delay of recognition of credit loss allowances in regulatory capital for purposes of the Call Reports and the FFIEC 101, the change should be minimal and result in a zero net change in hourly burden under the agencies’ information collections. Submissions will, however, be made by the agencies to OMB. The changes to the Call Reports, the FFIEC 101 and their related instructions will be addressed in a separate Federal Register notice.

However, the Board has temporarily revised certain reporting forms to accurately reflect various aspects of this interim final rule. These reporting forms are the Consolidated Financial Statements for Holding Companies (FR Y–9C; OMB No. 7100–0128) and Capital Assessments and Stress Testing Reports (FR Y–14A/Q/M; OMB No. 7100–0341). On June 15, 1984, OMB delegated to the Board authority under the PRA to temporarily approve a revision to a collection of information without providing opportunity for public comment if the Board determines that a change in an existing collection must be instituted quickly and that public participation in the approval process would defeat the purpose of the collection or substantially interfere with the Board’s ability to perform its statutory obligation.

The Board’s delegated authority requires that the Board, after temporarily approving a collection, solicit public comment to extend the information collections for a period not to exceed three years. Therefore, the Board is inviting comment to extend each of these information collections for three years, with the revisions discussed below.

The Board invites public comment on the following information collections, which are being reviewed under authority delegated by the OMB under the PRA. Comments must be submitted on or before June 1, 2020. Comments are invited on the following:

a. Whether the collections of information are necessary for the proper performance of the Board’s functions, including whether the information has practical utility;

b. The accuracy of the Board’s estimate of the burden of the information collections, including the validity of the methodology and assumptions used;

c. Ways to enhance the quality, utility, and clarity of the information to be collected;

d. Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Board should modify the collections.
Estimated annual burden hours:

Reporting
FR Y–9C (non-advanced approaches CBLR HCs with less than $5 billion in total assets): 28,712 hours; FR Y–9C (non-advanced approaches CBLR HCs with $5 billion or more in total assets): 4,915; FR Y–9C (non-advanced approaches non-CBLR HCs with less than $5 billion in total assets): 13,769; FR Y–9C (non-advanced approaches non-CBLR HCs with $5 billion or more in total assets): 28,712 hours; FR Y–9C (advanced approaches HCs): 3,693 hours; FR Y–9LP: 9,149 hours; FR Y–9SP: 42,768 hours; FR Y–9ES: 42 hours; FR Y–9CS: 472 hours.

Recordkeeping
FR Y–9C (non-advanced approaches HCs with less than $5 billion in total assets): 620 hours; FR Y–9C (non-advanced approaches HCs with $5 billion or more in total assets): 7,560 hours; FR Y–9C (advanced approaches HCs): 76 hours; FR Y–9LP: 1,736 hours; FR Y–9SP: 3,960 hours; FR Y–9ES: 42 hours; FR Y–9CS: 472 hours.

General description of report: The FR Y–9C consists of standardized financial statements similar to the Call Reports filed by commercial banks. The FR Y–9C collects consolidated data from HCs and is filed quarterly by top-tier HCs with total consolidated assets of $3 billion or more.

The FR Y–9LP, which collects parent company only financial data, must be submitted by each HC that files the FR Y–9C, as well as by each of its subsidiary HCs. The report consists of standardized financial statements.

The FR Y–9SP is a parent company only financial statement filed semiannually by HCs with total consolidated assets of less than $3 billion. In a banking organization with total consolidated assets of less than $3 billion that has tiered HCs, each HC in the organization must submit, or have the top-tier HC submit on its behalf, a separate FR Y–9SP. This report is designed to obtain basic balance sheet and income data for the parent company, and data on its intangible assets and intercompany transactions.

Legal authorization and confidentiality: The Board has the authority to impose the reporting and recordkeeping requirements associated with the FR Y–9 family of reports on bank holding companies under section 5 of the Bank Holding Company Act (“BHC Act”), (12 U.S.C. 1844); on savings and loan holding companies pursuant to section 10(b)(2) and (3) of the Home Owners’ Loan Act, (12 U.S.C. 1467a(b)(2) and (3)); on U.S. intermediate holding companies (“U.S. IHCs”) pursuant to section 5 of the BHC Act, (12 U.S.C. 1844), as well as pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), (12 U.S.C. 511(a)(1) and 5365); and on securities holding companies pursuant to section 618 of the Dodd-Frank Act, (12 U.S.C. 1850a(c)(1)(A)). The FR Y–9 series of reports, and the recordkeeping requirements set forth in the respective instructions to each report, are mandatory, except for the FR Y–9CS, which is voluntary.

With respect to the FR Y–9C, Schedule HI’s memorandum item 7(g), Schedule HC–P’s item 7(b), and Schedule HC–P’s item 7(b) are considered confidential commercial and financial information under exemption 4 of the Freedom of Information Act (“FOIA”), (5 U.S.C. 552(b)(4)), as is Schedule HC’s memorandum item 2.b for both the FR Y–9C and FR Y–9SP reports.

Aside from the data items described above, the remaining data items on the FR Y–9 reports are generally not accorded confidential treatment. As provided in the Board’s Rules Regarding Availability of Information (12 CFR part 261), however, a respondent may request confidential treatment for any data items the respondent believes

14 An SLJHC must file one or more of the FR Y–9 series of reports unless it is: (1) A grandfathered unitary SLJHC with primarily commercial assets and thrifts that make up less than 5 percent of its consolidated assets; or (2) a SLJHC that primarily holds insurance-related assets and does not otherwise submit financial reports with the SEC pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934.
should be withheld pursuant to a FOIA exemption. The Board will review any such request to determine if confidential treatment is appropriate, and will inform the respondent if the request for confidential treatment has been denied.

To the extent that the instructions, to the FR Y–9C, FR Y–9LP, FR Y–9SP, and FR Y–9ES reports, each respectively direct a financial institution to retain the workpapers and related materials used in preparation of each report, such material would only be obtained by the Board as part of the examination or supervision of the financial institution. Accordingly, such information may be considered confidential pursuant to exemption 8 of the FOIA (5 U.S.C. 552(b)(8)). In addition, the financial institution’s workpapers and related materials may also be protected by exemption 4 of the FOIA, to the extent such financial information is treated as confidential by the respondent (5 U.S.C. 552(b)(4)).

Current Actions: The Board has temporarily revised the instructions to FR Y–9C report to accurately reflect the CECL transition provision as modified by this interim final rule. Specifically, the Board has temporarily revised the instructions to the following FR Y–9C, Schedule HC–R, Part I, line items:

- Item 2 (Retained earnings),
- Item 2.a (CECL transition election in effect as of the quarter-end report date),
- Item 15.a (Less: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs that exceed the 25 percent of line 12),
- Item 15.b (Less: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold).
- Item 27 (Average total consolidated assets),
- Item 40 (a) (Allowance for loan and lease losses includable in tier 2 capital), and
- Item 40 (b) (Advanced approaches holding companies that exit parallel run only): Eligible credit reserves includable in tier 2 capital.

as well as FR Y–9C, Schedule HC–R, Part II, Item 8 (All other assets). The Board has determined that the revisions to the FR Y–9C described above must be instituted quickly and that public participation in the approval process would defeat the purpose of the collection of information, as delaying the revisions would result in the collection of inaccurate information, and would interfere with the Board’s ability to perform its statutory duties.

The Board also invites comment to extend the FR Y–9 for three years, with the revisions described above.

(2) Report title: Capital Assessments and Stress Testing Reports.
- Agency form number: FR Y–14A/Q/M.
- OMB control number: 7100–0341.
- Effective date: December 31, 2019.
- Frequency: Annually, quarterly, and monthly.
- Respondents: These collections of information are applicable to BHCs, U.S. IHCs, and savings and loan holding companies (SLHCs) (collectively, “holding companies”) with $100 billion or more in total consolidated assets, as based on: (i) The average of the firm’s total consolidated assets in the four most recent quarters as reported quarterly on the firm’s Consolidated Financial Statements for Holding Companies (FR Y–9C); or (ii) if the firm has not filed an FR Y–9C for each of the most recent four quarters, then the average of the firm’s total consolidated assets in the most recent consecutive quarters as reported quarterly on the firm’s FR Y–9Cs. Reporting is required as of the first day of the quarter immediately following the quarter in which the respondent meets this asset threshold, unless otherwise directed by the Board.

Estimated number of respondents: FR Y–14A/Q: 36; FR Y–14M: 34.

Estimated average hours per response:

Estimated annual burden hours:

General description of report: This family of information collections is composed of the following three reports:

The annual FR Y–14A collects quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios.

The quarterly FR Y–14Q collects granular data on various asset classes, including loans, securities, trading assets, and PPNR for the reporting period.

The monthly FR Y–14M is comprised of three retail portfolio- and loan-level schedules, and one detailed address-matching schedule to supplement two of the portfolio and loan-level schedules.

The data collected through the FR Y–14A/Q/M reports provide the Board with the information needed to help ensure that large firms have strong, firm-wide risk measurement and management processes supporting their internal assessments of capital adequacy and that their capital resources are sufficient given their business focus, activities, and resulting risk exposures. The reports are used to support the Board’s annual Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Test (DFAST) exercises, which complement other Board supervisory efforts aimed at enhancing the continued viability of large firms, including continuous monitoring of firms’ planning and management of liquidity and funding resources, as well as regular assessments of credit, market and operational risks, and associated management practices. Information gathered in this data collection is also used in the supervision and regulation of respondent financial institutions. Compliance with the information collection is mandatory.

Current actions: The Board has temporarily revised the instructions to FR Y–14A report to accurately reflect...
the CECL transition provision as modified by this interim final rule. Specifically, the Board has temporarily revised the FR Y–14A general instructions, as well as the instructions to the following FR Y–14A schedules or line items:  
- Schedule A.1.d (Capital);  
- Schedule A.1.d, Line item 20 (Retained earnings);  
- Schedule A.1.d, Line item 39 (DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold);  
- Schedule A.1.d, Line item 54 (Allowance for loan and lease losses includable in tier 2 capital);  
- Schedule A.1.d, Line item 77 (DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs); and  
- Collection of Supplemental CECL Information, Line Item 2 (Institutions applying the CECL transition provision).  
In addition, the Board has delayed the due date for the December 31, 2019, FR Y–14A, Collection of Supplemental CECL Information from April 6, 2020, to May 11, 2020, to correspond with the submission date for the March 31, 2020, FR Y–9C report. The Board has determined that the revisions to the FR Y–14A/Q/M reports described above must be instituted quickly and that public participation in the approval process would defeat the purpose of the collection of information, as delaying the revisions would result in the collection of inaccurate information, and would interfere with the Board’s ability to perform its statutory duties. The Board also invites comment to extend the FR Y–14A/Q/M for three years, with the revisions described above.

Legal authorization and confidentiality: The Board has the authority to require BHCS to file the FR Y–14 reports pursuant to section 5(c) of the BHC Act, 12 U.S.C. 1844(c), and pursuant to section 165(i) of the Dodd-Frank Act, 12 U.S.C. 5365(i). The Board has authority to require SLHCs to file the FR Y–14 reports pursuant to section 10(b) of the Home Owners’ Loan Act (12 U.S.C. 1467a(b)). Lastly, the Board has authority to require U.S. IIECs of PBOs to file the FR Y–14 reports pursuant to section 5 of the BHC Act, as well as pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Act, 12 U.S.C. 5311(a)(1) and 5365. In addition, section 401(g) of the EGRRCPA, 12 U.S.C. 5365 note, provides that the Board has the authority to establish enhanced prudential standards for foreign banking organizations with total consolidated assets of $100 billion or more, and clarifies that nothing in section 401 “shall be construed to affect the legal effect of the final rule of the Board. . . entitled ‘Enhanced Prudential Standard for [BHCS] and Foreign Banking Organizations’ (79 FR 17240 (March 27, 2014)), as applied to foreign banking organizations with total consolidated assets equal to or greater than $100 million.” 26 The FR Y–14 reports are mandatory. The information collected in the FR Y–14 reports is collected as part of the Board’s supervisory process, and therefore, such information is afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act (FOIA), 5 U.S.C. 552(b)(8). In addition, confidential commercial or financial information, which a submitter actually and customarily treats as private, and which has been provided pursuant to an express assurance of confidentiality by the Board, is considered exempt from disclosure under exemption 4 of the FOIA, 5 U.S.C. 552(b)(4).

D. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) 27 requires an agency to consider whether the rules it proposes will have a significant economic impact on a substantial number of small entities. 28 The RFA applies only to rules for which an agency publishes a general notice of proposed rulemaking pursuant to 5 U.S.C. 553(b). As discussed previously, consistent with section 553(b)(B) of the APA, the agencies have determined for good cause that general notice and opportunity for public comment is impracticable and contrary to the public’s interest, and therefore the agencies are not issuing a notice of proposed rulemaking. Accordingly, the agencies have concluded that the RFA’s requirements relating to initial and final regulatory flexibility analysis do not apply. Nevertheless, the agencies seek comment on whether, and the extent to which, the interim final rule would affect a significant number of small entities.

26 The Board’s final rule referenced in section 401(g) of the EGRRCPA specifically stated that the Board would require IIECs to file the FR Y–14 reports. See 79 FR 17240, 17304 (March 27, 2014). 27 5 U.S.C. 601 et seq. 28 Under regulations issued by the Small Business Administration, a small entity includes a depository institution, bank holding company, or savings and loan holding company with total assets of $600 million or less and trust companies with total assets of $41.5 million or less. See 13 CFR 121.201.

E. Riegel Community Development and Regulatory Improvement Act of 1994

Pursuant to section 302(a) of the Riegel Community Development and Regulatory Improvement Act (RCDRIA), 29 in determining the effective date and administrative compliance requirements for new regulations that impose additional reporting, disclosure, or other requirements on IDIs, each Federal banking agency must consider, consistent with the principle of safety and soundness and the public interest, any administrative burdens that such regulations would place on depository institutions, including small depository institutions, and customers of depository institutions, as well as the benefits of such regulations. In addition, section 302(b) of RCDRIA requires new regulations and amendments to regulations that impose additional reporting, disclosures, or other new requirements on IDIs generally to take effect on the first day of a calendar quarter that begins on or after the date on which the regulations are published in final form, with certain exceptions, including for good cause. 30 For the reasons described above, the agencies find good cause exists under section 302 of RCDRIA to publish this interim final rule with an immediate effective date. As such, the final rule will be effective on immediately. Nevertheless, the agencies seek comment on RCDRIA.

F. Plain Language

Section 722 of the Gramm-Leach-Bliley Act 31 requires the Federal banking agencies to use “plain language” in all proposed and final rules published after January 1, 2000. In light of this requirement, the agencies have sought to present the interim final rule in a simple and straightforward manner. The agencies invite comments on whether there are additional steps it could take to make the rule easier to understand. For example:

- Have we organized the material to suit your needs? If not, how could this material be better organized?  
- Are the requirements in the regulation clearly stated? If not, how could the regulation be more clearly stated?  
- Does the regulation contain language that is not clear? If so, which language requires clarification?

Would a different format (grouping and order of sections, use of headings, paragraphing) make the regulation

easier to understand? If so, what changes to the format would make the regulation easier to understand?

- What else could we do to make the regulation easier to understand?

G. Unfunded Mandates

As a general matter, the Unfunded Mandates Act of 1995 (UMRA), 2 U.S.C. 1531 et seq., requires the preparation of a budgetary impact statement before promulgating a rule that includes a Federal mandate that may result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of $100 million or more in any one year. However, the UMRA does not apply to final rules for which a general notice of proposed rulemaking was not published. See 2 U.S.C. 1532(a).

Therefore, because the OCC has found good cause to dispense with notice and comment for this interim final rule, the OCC has not prepared an economic analysis of the rule under the UMRA.

List of Subjects

12 CFR Part 3

Administrative practice and procedure. Capital, National banks, Risk.

12 CFR Part 217


12 CFR Part 524

Administrative practice and procedure. Banks, Banking, Reporting and recordkeeping requirements, Savings associations, State non-member banks.

Office of the Comptroller of the Currency

12 CFR Chapter I

Authority and Issuance

For the reasons set forth in the preamble, the OCC amends chapter I of title 12 of the Code of Federal Regulations as follows:

PART 3—CAPITAL ADEQUACY STANDARDS

1. The authority citation for part 3 continues to read as follows:

Authority: 12 U.S.C. 93a, 161, 1462, 1462a, 1463, 1843, 1818, 1828(t), 1828 note, 1831a note, 1835, 3907, 3909, and 5412(b)(2)(B).


2. Amend §3.301 by:

§3.301 Current Expected Credit Losses (CECL) transition.

(a) * * *

(1) Except as provided in paragraph (d) of this section, a national bank or Federal savings organization may elect to use a CECL transition provision pursuant to this section only if the national bank or Federal savings association records a reduction in retained earnings due to the adoption of CECL as of the beginning of the fiscal year in which the national bank or Federal savings association adopts CECL.

(2) A national bank or Federal savings association that is required to use CECL for regulatory purposes that intends to use the CECL transition provision must elect to use the CECL transition provision in the first Call Report that includes CECL filed by the national bank or Federal savings association after it is required to use CECL for regulatory purposes.

* * * * *

(b) * * *

(1) Transition period means, the three-year period, beginning the first day of the fiscal year in which a national bank or Federal savings association adopts CECL and reflects CECL in its first Call Report; or, for the 2020 transition under paragraph (d) of this section, the five-year period beginning on the earlier of the date a national bank or Federal savings association was required to adopt CECL for accounting purposes under U.S. GAAP (as in effect January 1, 2020), or the first day of the quarter in which the national bank or Federal savings association files regulatory reports that include CECL.

* * * * *

(c) * * *

(1) For purposes of the election described in paragraph (a)(1) of this section and except as provided in paragraph (d) of this section, a national bank or Federal savings association must make the following adjustments in its calculation of regulatory capital ratios:

* * * * *

(d) 2020 CECL transition provision. A national bank or Federal savings association that was required to adopt CECL for accounting purposes under U.S. GAAP (as in effect on January 1, 2020) as of the first day of a fiscal year that begins during the 2020 calendar year, and that makes the election described in paragraph (a)(1) of this section, may use the transitional amounts and adjusted transitional amounts in paragraph (d)(1) of this section with the 2020 CECL transition calculation in paragraph (d)(2) of this section to adjust its calculation of regulatory capital ratios during each quarter of the transition period in which a national bank or Federal savings association uses CECL for purposes of its Call Report. A national bank or Federal savings association that did not make the election described in paragraph (a)(1) of this section because it did not record a reduction in retained earnings due to the adoption of CECL as of the beginning of the fiscal year in which the national bank or Federal savings association adopted CECL may use the transition provision in this paragraph (d) if it has a positive modified CECL transitional amount during any quarter ending in 2020 and makes the election in the Call Report or FR Y–9C filed for the same quarter.

(1) Definitions. For purposes of the 2020 CECL transition calculation in paragraph (d)(2) of this section, the following definitions apply:

(i) Modified CECL transitional amount means:

(A) During the first two years of the transition period, the difference between AACL as reported in the most recent Call Report and the AACL as of the beginning of the fiscal year in which the national bank or Federal savings association adopts CECL, multiplied by 0.25, plus the CECL transitional amount; and

(B) During the last three years of the transition period, the difference between AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the national bank or Federal savings association adopts CECL, multiplied by 0.25, plus the CECL transitional amount.

(ii) Modified AACL transitional amount means:

(A) During the first two years of the transition period, the difference between AACL as reported in the most recent Call Report and the AACL as of
the beginning of the fiscal year in which the national bank or Federal savings association adopts CECL, multiplied by 0.25, plus the AACL transitional amount; and

(B) During the last three years of the transition period, the difference between AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the national bank or Federal savings association adopts CECL, multiplied by 0.25, plus the AACL transitional amount.

(2) Calculation of 2020 CECL transition provision. (i) A national bank or Federal savings association that has made the election described in paragraph (a)(1) of this section in its first Call Report filed during the 2020 calendar year that reflects CECL adoption may make the following adjustments in its calculation of regulatory capital ratios:

(A) Increase retained earnings by one hundred percent of its modified CECL transitional amount during the first year of the transition period, increase retained earnings by one hundred percent of its modified CECL transitional amount during the second year of the transition period, increase retained earnings by seventy-five percent of its modified CECL transitional amount during the third year of the transition period, increase retained earnings by fifty percent of its modified CECL transitional amount during the fourth year of the transition period, and increase retained earnings by twenty-five percent of its modified CECL transitional amount during the fifth year of the transition period;

(B) Decrease amounts of DTAs arising from temporary differences by one hundred percent of its DTA transitional amount during the first year of the transition period, decrease amounts of DTAs arising from temporary differences by one hundred percent of its DTA transitional amount during the second year of the transition period, decrease amounts of DTAs arising from temporary differences by seventy-five percent of its DTA transitional amount during the third year of the transition period, decrease amounts of DTAs arising from temporary differences by fifty percent of its DTA transitional amount during the fourth year of the transition period, and decrease amounts of DTAs arising from temporary differences by twenty-five percent of its DTA transitional amount during the fifth year of the transition period;

(C) Decrease amounts of AACL by one hundred percent of its modified AACL transitional amount during the first year of the transition period, decrease amounts of AACL by one hundred percent of its modified AACL transitional amount during the second year of the transition period, decrease amounts of AACL by seventy-five percent of its modified AACL transitional amount during the third year of the transition period, decrease amounts of AACL by fifty percent of its modified AACL transitional amount during the fourth year of the transition period, and decrease amounts of AACL by twenty-five percent of its modified AACL transitional amount during the fifth year of the transition period; and

(D) Increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by one hundred percent of its modified CECL transitional amount during the first year of the transition period, increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by seventy-five percent of its modified CECL transitional amount during the second year of the transition period, increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by fifty percent of its modified CECL transitional amount during the third year of the transition period, and increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by twenty-five percent of its modified CECL transitional amount during the fourth year of the transition period.

(ii) An advanced approaches national bank or Federal savings association that has made the election described in paragraph (a)(1) of this section in its first Call Report filed during 2020 may make the following additional adjustments to its calculation of regulatory capital ratios:

(A) Increase total leverage exposure for purposes of the supplementary leverage ratio by one hundred percent of its modified CECL transitional amount during the first year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by seventy-five percent of its modified CECL transitional amount during the second year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by fifty percent of its modified CECL transitional amount during the third year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by twenty-five percent of its modified CECL transitional amount during the fourth year of the transition period; and

(B) An advanced approaches national bank or Federal savings association that has completed the parallel run process and has received notification from the OCC pursuant to § 3.121(d) must decrease amounts of eligible credit reserves by one-hundred percent of its eligible credit reserves transitional amount during the first year of the transition period, decrease amounts of eligible credit reserves by seventy-five percent of its eligible credit reserves transitional amount during the second year of the transition period, decrease amounts of eligible credit reserves by fifty percent of its eligible credit reserves transitional amount during the third year of the transition period, decrease amounts of eligible credit reserves by twenty-five percent of its eligible credit reserves transitional amount during the fourth year of the transition period, and decrease amounts of eligible credit reserves by fifty percent of its eligible credit reserves transitional amount during the fifth year of the transition period.

(iii) Eligible credit reserves shortfall.

(iv) Business combinations.

Board of Governors of the Federal Reserve System
12 CFR Chapter II
Authority and Issuance
For the reasons set forth in the preamble, the Board amends chapter II of title 12 of the Code of Federal Regulations as follows:

PART 217—CAPITAL ADEQUACY OF BANK HOLDING COMPANIES, SAVINGS AND LOAN HOLDING COMPANIES, AND STATE MEMBER BANKS (REGULATION O)

3. The authority citation for part 217 continues to read as follows:


4. Revise § 217.301 to read as follows:
§ 217.301 Current expected credit losses (CECL) transition.

(a) CECL transition provision. (1) Except as provided in paragraph (d) of this section, a Board-regulated institution may elect to use a CECL transition provision pursuant to this section only if the Board-regulated institution records a reduction in retained earnings due to the adoption of CECL as of the beginning of the fiscal year in which the Board-regulated institution adopts CECL.

(2) A Board-regulated institution that is required to use CECL when filing its Call Report or FR Y–9C that intends to use the CECL transition provision must elect to use the CECL transition provision in the first Call Report or FR Y–9C that includes CECL filed by the Board-regulated institution after it is required to use CECL for regulatory reporting purposes.

(3) A Board-regulated institution that does not elect to use the CECL transition provision as of the first Call Report or FR Y–9C that includes CECL filed as described in paragraph (a)(2) of this section may not elect to use the CECL transition provision in subsequent reporting periods.

(b) Definitions. For purposes of this section, the following definitions apply:

(1) Transition period means the three-year period beginning the first day of the fiscal year in which a Board-regulated institution adopts CECL and reflects CECL in its first Call Report or FR Y–9C; or, for the 2020 transition under paragraph (d) of this section, the five-year period beginning on the earlier of the date a Board-regulated institution was required to adopt CECL for accounting purposes under U.S. GAAP (as in effect on January 1, 2020), or the first day of the quarter in which the Board-regulated institution files regulatory reports that include CECL.

(2) CECL transitional amount means the decrease net of any DTAs in the amount of a Board-regulated institution’s retained earnings as of the beginning of the fiscal year in which the Board-regulated institution adopts CECL, from the amount of the Board-regulated institution’s retained earnings as of the closing of the fiscal year-end immediately prior to the Board-regulated institution’s adoption of CECL.

(3) DTA transitional amount means the increase in the amount of a Board-regulated institution’s DTAs arising from temporary differences as of the beginning of the fiscal year in which the Board-regulated institution adopts CECL, from the amount of the Board-regulated institution’s DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the Board-regulated institution’s adoption of CECL.

(4) AACL transitional amount means the difference in the amount of a Board-regulated institution’s AACL as of the beginning of the fiscal year in which the Board-regulated institution adopts CECL, and the amount of the Board-regulated institution’s ALLL as of the closing of the fiscal year-end immediately prior to the Board-regulated institution’s adoption of CECL.

(5) Eligible credit reserves transitional amount means the increase in the amount of a Board-regulated institution’s eligible credit reserves as of the beginning of the fiscal year in which the Board-regulated institution adopts CECL, from the amount of the Board-regulated institution’s eligible credit reserves as of the closing of the fiscal year-end immediately prior to the Board-regulated institution’s adoption of CECL.

(c) Calculation of the three-year CECL transition provision. (1) For purposes of the election described in paragraph (a)(1) of this section and except as provided in paragraph (d) of this section, a Board-regulated institution must make the following adjustments in its calculation of regulatory capital ratios:

(i) Increase retained earnings by seventy-five percent of its CECL transitional amount during the first year of the transition period, increase retained earnings by fifty percent of its CECL transitional amount during the second year of the transition period, and increase retained earnings by twenty-five percent of its CECL transitional amount during the third year of the transition period;

(ii) Decrease amounts of DTAs arising from temporary differences by seventy-five percent of its DTA transitional amount during the first year of the transition period, decrease amounts of DTAs arising from temporary differences by fifty percent of its DTA transitional amount during the second year of the transition period, and decrease amounts of DTAs arising from temporary differences by twenty-five percent of its DTA transitional amount during the third year of the transition period;

(iii) Decrease amounts of AACL by seventy-five percent of its AACL transitional amount during the first year of the transition period, decrease amounts of AACL by fifty percent of its AACL transitional amount during the second year of the transition period, and decrease amounts of AACL by twenty-five percent of its AACL transitional amount during the third year of the transition period; and

(iv) Increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by seventy-five percent of its CECL transitional amount during the first year of the transition period, increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by fifty percent of its CECL transitional amount during the second year of the transition period, and increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by twenty-five percent of its CECL transitional amount during the third year of the transition period.

(2) For purposes of the election described in paragraph (a)(1) of this section, an advanced approaches Board-regulated institution must make the following additional adjustments to its calculation of regulatory capital ratios:

(i) Increase total leverage exposure for purposes of the supplementary leverage ratio by seventy-five percent of its CECL transitional amount during the first year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by fifty percent of its CECL transitional amount during the second year of the transition period, and increase total leverage exposure for purposes of the supplementary leverage ratio by twenty-five percent of its CECL transitional amount during the third year of the transition period; and

(ii) An advanced approaches Board-regulated institution that has completed the parallel run process and has received notification from the Board pursuant to § 217.121(d) must decrease amounts of eligible credit reserves by seventy-five percent of its eligible credit reserves transitional amount during the first year of the transition period, decrease amounts of eligible credit reserves by fifty percent of its eligible credit reserves transitional amount during the second year of the transition period, and decrease amounts of eligible credit reserves by twenty-five percent of its eligible credit reserves transitional amount during the third year of the transition period.

(d) Calculation of the five-year CECL transition provision. A Board-regulated institution that was required to adopt CECL for accounting purposes under U.S. GAAP (as in effect January 1, 2020) as of the first day of a fiscal year that begins during the 2020 calendar year, and that makes the election described in paragraph (a)(1) of this section, may use the transitional amounts and modified
transitional amounts in paragraph (d)(1) of this section with the 2020 CECL transition calculation in paragraph (d)(2) of this section to adjust its calculation of regulatory capital ratios during each quarter of the transition period in which a Board-regulated institution uses CECL for purposes of its Call Report or FR Y–9C. A Board-regulated institution that did not make the election described in paragraph (a)(1) of this section because it did not record a reduction in retained earnings due to the adoption of CECL as of the beginning of the fiscal year in which the Board-regulated institution adopted CECL may use the transition provision in this paragraph (d) if it has a positive modified CECL transitional amount during any quarter ending in 2020, and makes the election in the Call Report of FR Y–9C filed for the same quarter.

(1) Definitions. For purposes of the 2020 CECL transition calculation in paragraph (d)(2) of this section, the following definitions apply:

(i) Modified CECL transitional amount means:

(A) During the first two years of the transition period, the difference between AACL as reported in the most recent Call Report or FR Y–9C, and the AACL as of the beginning of the fiscal year in which the Board-regulated institution adopts CECL, multiplied by .25, plus the CECL transitional amount; and

(B) During the last three years of the transition period, the difference between AACL as reported in the Call Report or FR Y–9C at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the Board-regulated institution adopts CECL, multiplied by 0.25, plus the CECL transitional amount.

(ii) Modified AACL transitional amount means:

(A) During the first two years of the transition period, the difference between AACL as reported in the most recent Call Report or FR Y–9C, and the AACL as of the beginning of the fiscal year in which the Board-regulated institution adopts CECL, multiplied by .25, plus the AACL transitional amount; and

(B) During the last three years of the transition period, the difference between AACL as reported in the Call Report or FR Y–9C at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the Board-regulated institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount.

(2) Calculation of 2020 CECL transition provision. (i) A Board-regulated institution that has made the election described in paragraph (a)(1) of this section in a first Call Report or FR Y–9C filed during the 2020 calendar year may make the following adjustments in its calculation of regulatory capital ratios:

(A) Increase retained earnings by one-hundred percent of its modified CECL transitional amount during the first year of the transition period, increase retained earnings by one hundred percent of its modified CECL transitional amount during the second year of the transition period, increase retained earnings by seventy-five percent of its modified CECL transitional amount during the third year of the transition period, increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by one hundred percent of its modified CECL transitional amount during the first year of the transition period, increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by one hundred percent of its modified CECL transitional amount during the second year of the transition period, increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by seventy-five percent of its modified CECL transitional amount during the third year of the transition period, increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by fifty percent of its modified CECL transitional amount during the fourth year of the transition period, and increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by twenty-five percent of its modified CECL transitional amount during the fifth year of the transition period.

(ii) An advanced approaches Board-regulated institution that has made the election described in paragraph (a)(1) of this section in its first Call Report or FR Y–9C filed during 2020 may make the following additional adjustments to its calculation of regulatory capital ratios:

(A) Increase total leverage exposure for purposes of the supplementary leverage ratio by one-hundred percent of its modified CECL transitional amount during the first year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by one-hundred percent of its modified CECL transitional amount during the second year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by one-hundred percent of its modified CECL transitional amount during the third year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by one-hundred percent of its modified CECL transitional amount during the fourth year of the transition period, and increase total leverage exposure for purposes of the supplementary leverage ratio by one-hundred percent of its modified CECL transitional amount during the fifth year of the transition period.

(B) An advanced approaches Board-regulated institution that has completed the parallel run process and has received notification from the Board pursuant to §217.121(b) must decrease amounts of eligible credit reserves by one-hundred percent of its eligible

FR Y–9C for purposes of the leverage ratio by one-hundred percent of its modified CECL transitional amount during the first year of the transition period, increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by one hundred percent of its modified CECL transitional amount during the second year of the transition period, increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by seventy-five percent of its modified CECL transitional amount during the third year of the transition period, increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by fifty percent of its modified CECL transitional amount during the fourth year of the transition period, and increase average total consolidated assets as reported on the Call Report or FR Y–9C for purposes of the leverage ratio by twenty-five percent of its modified CECL transitional amount during the fifth year of the transition period.
credit reserves transitional amount during the first year of the transition period, decrease amounts of eligible credit reserves by one hundred percent of its eligible credit reserves transitional amount during the second year of the transition period, decrease amounts of eligible credit reserves by seventy-five percent of its eligible credit reserves transitional amount during the third year of the transition period, decrease amounts of eligible credit reserves by fifty percent of its eligible credit reserves transitional amount during the fourth year of the transition period, and decrease amounts of eligible credit reserves by twenty-five percent of its eligible credit reserves transitional amount during the fifth year of the transition period.

(e) Eligible credit reserves shortfall. An advanced approaches Board-regulated institution that has completed the parallel run process and has received notification from the Board pursuant to § 217.121(d), whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and that has had an increase in common equity tier 1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount (or modified CECL transitional amount) must decrease its CECL transitional amount used in paragraph (c) of this section (or modified CECL transitional amount used in paragraph (d) of this section) by the full amount of its DTA transitional amount (or modified DTA transitional amount).

(f) Business combinations. Notwithstanding any other requirement in this section, for purposes of this paragraph (f), in the event of a business combination involving a Board-regulated institution where one or both Board-regulated institutions have elected the treatment described in this section:

(1) If the acquirer Board-regulated institution (as determined under GAAP) elected the treatment described in this section, the acquirer Board-regulated institution must continue to use the transitional amounts (unaffected by the business combination) that it calculated as of the date that it adopted CECL through the end of its transition period.

(2) If the acquired company (as determined under GAAP) elected the treatment described in this section, any transitional amount of the acquired company does not transfer to the resulting Board-regulated institution.

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Chapter III

Authority and Issuance

For the reasons set forth in the joint preamble, chapter III of title 12 of the Code of Federal Regulations is amended as follows:

PART 324—CAPITAL ADEQUACY OF FDIC-SUPERVISED INSTITUTIONS

5. The authority citation for part 324 continues to read as follows:


6. Revise § 324.301 to read as follows:

§ 324.301 Current expected credit losses (CECL) transition.

(a) CECL transition provision. (1) Except as provided in paragraph (d) of this section, an FDIC-supervised institution may elect to use a CECL transition provision pursuant to this section only if the FDIC-supervised institution records a reduction in retained earnings due to the adoption of CECL as of the beginning of the fiscal year in which the FDIC-supervised institution adopts CECL.

(2) An FDIC-supervised institution that is required to use CECL for regulatory reporting purposes that intends to use the CECL transition provision must elect to use the CECL transition provision in the first Call Report that includes CECL filed by the FDIC-supervised institution after it is required to use CECL for regulatory reporting purposes.

(3) An FDIC-supervised institution that does not elect to use the CECL transition provision of the first Call Report that includes CECL as described in paragraph (a)(2) of this section may not elect to use the CECL transition provision in subsequent reporting periods.

(b) Definitions. For purposes of this section, the following definitions apply:

(1) Transition period means the three-year period, beginning the first day of the fiscal year in which an FDIC-supervised institution adopts CECL and reflects CECL in its first Call Report filed after that date, or, for the 2020 transition period under paragraph (d) of this section, the five-year period beginning on the earlier of the date an FDIC-supervised institution was required to adopt CECL for accounting purposes under U.S. GAAP (as in effect January 1, 2020), or the first day of the quarter in which the FDIC-supervised institution files regulatory reports that include CECL.

(2) CECL transitional amount means the decrease net of any DTAs in the amount of an FDIC-supervised institution’s retained earnings as of the beginning of the fiscal year in which the FDIC-supervised institution adopts CECL from the amount of the FDIC-supervised institution’s retained earnings as of the closing of the fiscal year-end immediately prior to the FDIC-supervised institution’s adoption of CECL.

(3) DTA transitional amount means the increase in the amount of an FDIC-supervised institution’s DTAs arising from temporary differences as of the beginning of the fiscal year in which the FDIC-supervised institution adopts CECL from the amount of the FDIC-supervised institution’s DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the FDIC-supervised institution’s adoption of CECL.

(4) AAACL transitional amount means the difference in the amount of an FDIC-supervised institution’s AAACL as of the beginning of the fiscal year in which the FDIC-supervised institution adopts CECL and the amount of the FDIC-supervised institution’s ALLL as of the closing of the fiscal year-end immediately prior to the FDIC-supervised institution’s adoption of CECL.

(5) Eligible credit reserves transitional amount means the increase in the amount of an FDIC-supervised institution’s eligible credit reserves as of the beginning of the fiscal year in which the FDIC-supervised institution adopts CECL from the amount of the FDIC-supervised institution’s eligible credit reserves as of the closing of the fiscal year-end immediately prior to the FDIC-supervised institution’s adoption of CECL.

(c) Calculation of three-year CECL transition provision. (1) For purposes of the election described in paragraph (a)(1) of this section and except as provided in paragraph (d) of this section, an FDIC-supervised institution must make the following adjustments in its calculation of regulatory capital ratios:

(i) Increase retained earnings by up to the amount of its CECL transitional amount during the first year of the transition period, increase
retained earnings by fifty percent of its CECL transitional amount during the second year of the transition period, and increase retained earnings by twenty-five percent of its CECL transitional amount during the third year of the transition period;

(ii) Decrease amounts of DTAs arising from temporary differences by seventy-five percent of its DTA transitional amount during the first year of the transition period, decrease amounts of DTAs arising from temporary differences by fifty percent of its DTA transitional amount during the second year of the transition period, and decrease amounts of DTAs arising from temporary differences by twenty-five percent of its DTA transitional amount during the third year of the transition period;

(iii) Decrease amounts of AACL by seventy-five percent of its AACL transitional amount during the first year of the transition period, decrease amounts of AACL by fifty percent of its AACL transitional amount during the second year of the transition period, and decrease amounts of AACL by twenty-five percent of its AACL transitional amount during the third year of the transition period; and

(iv) Increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by seventy-five percent of its CECL transitional amount during the first year of the transition period, increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by fifty percent of its CECL transitional amount during the second year of the transition period, and increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by twenty-five percent of its CECL transitional amount during the third year of the transition period.

(2) For purposes of the election described in paragraph (a)(1) of this section, an advanced approaches FDIC-supervised institution must make the following additional adjustments to its calculation of regulatory capital ratios:

(i) Increase total leverage exposure for purposes of the supplementary leverage ratio by seventy-five percent of its CECL transitional amount during the first year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by fifty percent of its CECL transitional amount during the second year of the transition period, and increase total leverage exposure for purposes of the supplementary leverage ratio by twenty-five percent of its CECL transitional amount during the third year of the transition period; and

(ii) An advanced approaches FDIC-supervised institution that has completed the parallel run process and has received notification from the FDIC pursuant to §324.121(d) must decrease amounts of eligible credit reserves by seventy-five percent of its eligible credit reserves transitional amount during the first year of the transition period, decrease amounts of eligible credit reserves by fifty percent of its eligible credit reserves transitional amount during the second year of the transition provision, and decrease amounts of eligible credit reserves by twenty-five percent of its eligible credit reserves transitional amount during the third year of the transition period.

(d) Calculation of the five-year CECL transition provision. An FDIC-supervised institution that was required to adopt CECL for accounting purposes under U.S. GAAP (as in effect January 1, 2020) as of the first day of a fiscal year that begins during the 2020 calendar year, shall make the election described in paragraph (a)(1) of this section, may use the transitional amounts and modified transitional amounts in paragraph (d)(1) of this section with the 2020 CECL transition calculation in paragraph (d)(2) of this section to adjust its calculation of regulatory capital ratios during each quarter of the transition period in which an FDIC-supervised institution uses CECL for purposes of its Call Report. A FDIC-supervised institution that did not make the election described in paragraph (a)(1) of this section because it did not record a reduction in retained earnings due to the adoption of CECL as of the beginning of the fiscal year in which the FDIC-supervised institution adopted CECL may use the transition provision in this paragraph (d) if it has a positive adjusted CECL transitional amount during any quarter ending in 2020 and makes the election in the Call Report or FR Y-9C filed for the same quarter.

(i) Definitions. For purposes of the 2020 CECL transition calculation in paragraph (d)(2) of this section, the following definitions apply:

(i) Modified CECL transitional amount means:

(A) During the first two years of the transition period, the difference between AACL as reported in the most recent Call Report and the AACL as of the beginning of the fiscal year in which the FDIC-supervised institution adopts CECL, multiplied by .25, plus the CECL transitional amount; and

(B) During the last three years of the transition period, the difference between AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the FDIC-supervised institution adopts CECL, multiplied by .25, plus the CECL transitional amount.

(ii) Modified AACL transitional amount means:

(A) During the first two years of the transition period, the difference between AACL as reported in the most recent Call Report, and the AACL as of the beginning of the fiscal year in which the FDIC-supervised institution adopts CECL, multiplied by .25, plus the AACL transitional amount; and

(B) During the last three years of the transition period, the difference between AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the FDIC-supervised institution adopts CECL, multiplied by .25, plus the AACL transitional amount.
amount during the fourth year of the transition period, and decrease amounts of DTAs arising from temporary differences by twenty-five percent of its DTA transitional amount during the fifth year of the transition period;

(C) Decrease amounts of AACL by one-hundred percent of its modified AACL transitional amount during the first year of the transition period, decrease amounts of AACL by one-hundred percent of its modified AACL transitional amount during the second year of the transition period, decrease amounts of AACL by twenty-five percent of its modified AACL transitional amount during the third year of the transition period, decrease amounts of AACL by fifty percent of its AACL transitional amount during the fourth year of the transition period, and decrease amounts of AACL by twenty-five percent of its AACL transitional amount during the fifth year of the transition period; and

(D) Increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by one-hundred percent of its modified CECL transitional amount during the first year of the transition period, increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by one-hundred percent of its modified CECL transitional amount during the second year of the transition period, increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by twenty-five percent of its modified CECL transitional amount during the third year of the transition period, increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by fifty percent of its modified CECL transitional amount during the fourth year of the transition period, and increase average total consolidated assets as reported on the Call Report for purposes of the leverage ratio by twenty-five percent of its modified CECL transitional amount during the fifth year of the transition period.

(ii) An advanced approaches FDIC-supervised institution that has made the election described in paragraph (a)(1) of this section in its first Call Report filed for the fiscal year that begins during the 2020 calendar year may make the following additional adjustments to its calculation of regulatory capital ratios:

(A) Increase total leverage exposure for purposes of the supplementary leverage ratio by one-hundred percent of its modified CECL transitional amount during the first year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by seventy-five percent of its modified CECL transitional amount during the second year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by seventy-five percent of its modified CECL transitional amount during the third year of the transition period, increase total leverage exposure for purposes of the supplementary leverage ratio by twenty-five percent of its CECL transitional amount during the fourth year of the transition period, and increase total leverage exposure for purposes of the supplementary leverage ratio by twenty-five percent of its CECL transitional amount during the fifth year of the transition period; and

(B) An advanced approaches FDIC-supervised institution that has completed the parallel run process and has received notification from the FDIC pursuant to §324.121(d) must decrease amounts of eligible credit reserves by one-hundred percent of its eligible credit reserves transitional amount during the first year of the transition period, decrease amounts of eligible credit reserves by twenty-five percent of its eligible credit reserves transitional amount during the second year of the transition period, decrease amounts of eligible credit reserves by seventy-five percent of its eligible credit reserves transitional amount during the third year of the transition period, decrease amounts of eligible credit reserves by twenty-five percent of its eligible credit reserves transitional amount during the fourth year of the transition period, and decrease amounts of eligible credit reserves by fifty percent of its eligible credit reserves transitional amount during the fifth year of the transition period.

(e) Eligible credit reserves shortfall. An advanced approaches FDIC-supervised institution that has completed the parallel run process and has received notification from the FDIC pursuant to §324.121(d), whose amount of expected credit loss exceeded its eligible credit reserves immediately prior to the adoption of CECL, and that has an increase in common equity tier 1 capital as of the beginning of the fiscal year in which it adopts CECL after including the first year portion of the CECL transitional amount (or modified CECL transitional amount) must decrease its CECL transitional amount used in paragraph (c) of this section (or modified CECL transitional amount used in paragraph (d) of this section) by the full amount of its DTA transitional amount (or modified DTA transitional amount).

(f) Business combinations. Notwithstanding any other requirement in this section, for purposes of this paragraph (f), in the event of a business combination involving an FDIC-supervised institution where one or both FDIC-supervised institutions have elected the treatment described in this section:

(1) If the acquirer FDIC-supervised institution (as determined under GAAP) elected the treatment described in this section, the acquirer FDIC-supervised institution must continue to use the transitional amounts (unaffected by the business combination) that it calculated as of the date that it adopted CECL through the end of its transition period.

(2) If the acquired insured depository institution (as determined under GAAP) elected the treatment described in this section, any transitional amount of the acquired insured depository institution does not transfer to the resulting FDIC-supervised institution.

Morris R. Morgan,
First Deputy Comptroller, Comptroller of the Currency.
By order of the Board of Governors of the Federal Reserve System.

Ann E. Misback,
Secretary of the Board.
Federal Deposit Insurance Corporation.
By order of the Board of Directors.
Dated at Washington, DC, on or about March 26, 2020.

Robert E. Feldman,
Executive Secretary.
[FR Doc. 2020–06770 Filed 3–30–20; 8:45 am]
BILLING CODE 4810–33–P; 6110–01–P; 6714–01–P

DEPARTMENT OF TRANSPORTATION
Federal Aviation Administration

14 CFR Part 39


RIN 2120–AA64

Airworthiness Directives; Rolls-Royce, Deutschland Ltd. & Co. KG (Formerly Rolls-Royce plc) Turbfan Engines

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: The FAA is superseding Airworthiness Directive (AD) AD 2017–03–02 for certain Rolls-Royce, Deutschland Ltd. & Co. KG RB211 Trent 768–60, 772–60, and 772B–60 model turbfan engines. AD 2017–03–02 required initial and repetitive ultrasonic inspections (UIS) of the affected low-pressure (LP) compressor blades. This