



Summer 2020

COVID-19 Supervisory and Regulatory FAQs

The Board of Governors has published frequently asked questions (FAQs) regarding the Federal Reserve's supervisory and regulatory response to the COVID-19 pandemic. These FAQs will be updated periodically.

For further detail, institutions should refer to guidance and other communications released by the Federal Reserve, including those collected on its [Supervisory and Regulatory Actions in Response to COVID-19](#) page. Institutions are also encouraged to review the details of Federal Reserve facilities available at the Board's [Coronavirus Disease 2019 \(COVID-19\)](#) page.

FR 2900 Weekly/Quarterly Annual Items Reminder and Guidance

As a reminder, weekly FR 2900 filers must complete annual items BB.1, BB.2, and CC.1 as of the close of business on Tuesday, June 30, 2020, on the July 6, 2020, FR 2900 submission. Quarterly FR 2900 filers must complete these items as of the close of business Monday, June 22, 2020, on the June 22, 2020, FR 2900Q submission.

For Item BB.1, total non-personal savings and time deposits, please report both:

- Savings and time deposits that represent funds deposited to the credit of, or in which any beneficial interest is held by, a depositor that is not a natural person, other than a deposit to the credit of a trustee or other fiduciary if the entire beneficial interest in the deposit is held by a natural person or persons; and
- Savings and time deposits that are transferable, whether or not the entire beneficial interest is held by natural persons. A deposit is transferable unless it includes on the face of a document evidencing the account a statement that the deposit is not transferable or that it is transferable on the books of, or with the permission of, the reporting institution.

More detailed guidance around what should be included and excluded from these items can be found in the [report form instructions](#).

If you have questions about any of the annual items, please contact [Scott LaBounty](#) (scott.labounty@clev.frb.org) or [Katrina Olaniyan](#) (katrina.a.olaniyan@clev.frb.org).

Regulation D: Reserve Requirements of Depository Institutions

The Board of Governors of the Federal Reserve System (Board) is amending its Regulation D (Reserve Requirements of Depository Institutions) to delete the numeric limits on certain kinds of transfers and withdrawals that may be made each month from "savings deposits." The amendments are intended to allow depository institution customers more convenient access to their funds and to simplify account administration for depository institutions. There are no mandatory changes to deposit reporting associated with the amendments.

This rule was effective on April 24, 2020. The changes to the numeric limits on certain kinds of transfers and withdrawals that may be made each month from accounts characterized as "savings deposits" were applicable on April 23, 2020.

Click [here](#) to review the proposal and submit comments by June 29, 2020.

The Federal Reserve Board recently held an Ask the Fed® session to review the changes to Regulation D and the associated reporting changes to the FR 2900 Series.

Click [here](#) to access the archive of the recorded session and presentation materials.

Interagency Policy Statement on Allowances for Credit Losses

The Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the National Credit Union Administration (collectively, the agencies) are issuing an interagency policy statement on allowances for credit losses (ACLs). The agencies are issuing this interagency policy statement in response to changes to U.S. generally accepted accounting principles (GAAP) as promulgated by the Financial Accounting Standards Board (FASB) in Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and subsequent amendments issued since June 2016. These updates are codified in Accounting Standards Codification (ASC) Topic 326, Financial Instruments – Credit Losses (FASB ASC Topic 326).

This interagency policy statement describes the measurement of expected credit losses under the current expected credit losses (CECL) methodology and the accounting for impairment on available-for-sale debt securities in accordance with FASB ASC Topic 326; the design, documentation, and validation of expected credit loss estimation processes, including the internal controls over these processes; the maintenance of appropriate ACLs; the responsibilities of boards of directors and management; and examiner reviews of ACLs.

Click [here](#) to review the final interagency policy statement.

Regulations Q, Y, and YY: Regulatory Capital, Capital Plan, and Stress Test Rules

The Board is adopting a rule (final rule) that simplifies the Board's capital framework while preserving strong capital requirements for large firms. The final rule would integrate the Board's regulatory capital rule (capital rule) with the Comprehensive Capital Analysis and Review (CCAR), as implemented through the Board's capital plan rule (capital plan rule). The final rule makes amendments to the capital rule, capital plan rule, stress test rules, and Stress Testing Policy Statement. Under the final rule, the Board will use the results of its supervisory stress test to establish the size of a firm's stress capital buffer requirement, which replaces the static 2.5 percent of risk-weighted assets component of a firm's capital conservation buffer requirement. Through the integration of the capital rule and CCAR, the final rule would remove redundant elements of the current capital and stress testing frameworks that currently operate in parallel rather than together, including the CCAR quantitative objection and the assumption that a firm makes all capital actions under stress. The final rule applies to bank holding companies and U.S. intermediate holding companies of foreign banking organizations that have \$100 billion or more in total consolidated assets.

Click [here](#) to view the final rule that is effective May 18, 2020.

Liquidity Coverage Ratio Rule: Treatment of Certain Emergency Facilities

To provide liquidity to the money market sector, small business lenders, and the broader credit markets in order to stabilize the financial system, the Board of Governors of the Federal Reserve System (Board) authorized the establishment of the Money Market Mutual Fund Liquidity Facility (MMLF) and the Paycheck Protection Program Liquidity Facility (PPPLF), pursuant to section 13(3) of the Federal Reserve Act. To facilitate use of these Federal Reserve facilities, and to ensure that the effects of their use are consistent and predictable under the Liquidity Coverage Ratio (LCR) rule, the Board, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (together, the agencies) are adopting this interim final rule to require banking organizations to neutralize the effect under the LCR rule of participating in the MMLF and the PPPLF.

Click [here](#) to view the interim final rule that is effective May 6, 2020.

Federal Reserve Board Announces Expansion of Scope, Duration, and Access for Municipal Liquidity Facility, Paycheck Protection Program Liquidity Facility, and Main Street Lending Program

The Federal Reserve remains committed to using its full range of tools to support the flow of credit to households, businesses, and communities to counter the economic impact of the coronavirus pandemic and promote a swift recovery once the disruptions abate.

Municipal Liquidity Facility (MLF)

The Federal Reserve Board announced an expansion of the scope and duration of the Municipal Liquidity Facility (MLF). The facility, which was part of an initiative to provide up to \$2.3 trillion in loans to support U.S. households, businesses, and communities, will offer up to \$500 billion in lending to states and municipalities to help manage cash flow stresses caused by the coronavirus pandemic. The MLF is established under Section 13(3) of the Federal Reserve Act, with approval of the Treasury Secretary. The Treasury will provide \$35 billion of credit protection to the Federal Reserve for the facility using funds appropriated by the Coronavirus Aid, Relief, and Economic Security Act.

Click [here](#) to view MLF details including term sheets and frequently asked questions.

Paycheck Protection Program Liquidity Facility (PPPLF)

The Federal Reserve expanded access to its Paycheck Protection Program Liquidity Facility (PPPLF) to additional lenders, and expanded the collateral that can be pledged. The changes will facilitate lending to small businesses via the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The SBA's PPP guarantees loans from qualified lenders to small businesses so that those businesses can keep workers employed. The PPPLF supports the PPP by extending credit to financial institutions that make or purchase PPP loans, using the loans as collateral. The additional liquidity from the PPPLF increases the capacity of financial institutions to make additional PPP loans.

Click [here](#) to review the press release issued by the Federal Reserve Board with PPPLF program details and term sheets.

Main Street Lending Program

As part of its broad effort to support the economy, the Federal Reserve developed the Main Street Lending Program to help credit flow to small and medium-sized businesses that were in sound financial condition before the pandemic. When the initial terms of Main Street were announced, the Board indicated that, because the financial needs of businesses vary widely, it was seeking feedback from the public on potential refinements. In response to the public input, the Board decided to expand the loan options available to businesses, and increased the maximum size of businesses that are eligible for support under the program.

Click [here](#) to review the press release issued by the Federal Reserve Board with program details, term sheets, and frequently asked questions for the Main Street Lending Program.

Ask the Fed®

Ask the Fed® is an educational program that provides critical information on recent financial and regulatory developments. The target audience consists of senior officials of bank and holding companies and their financial institution subsidiaries, state bank commissioners, and state banking organizations. Recent Ask the Fed® sessions have focused on Federal Reserve programs to support the economy during the Covid-19 pandemic.

Click [here](#) to access the Ask the Fed® registration and login to register for upcoming sessions or to view prior sessions.

Bank Capital Requirements Are the Outcome of a Centuries-Long Lived Experience

Modern capital requirements can appear to be overly complex, but they reflect centuries of practical experience, compromises between different regulators, and legal and financial systems that developed over time. This commentary provides a historical perspective on current discussions of capital requirements by looking at how the understanding of bank capital and the regulations regarding its use have changed. Read "[A Brief History of Bank Capital Requirements in the United States](#)" to find out more.

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