Reduced Reporting for Covered Depository Institutions

The Board of Governors of the Federal Reserve System (Board), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) (collectively, “the agencies”) are issuing a final rule to implement section 205 of the Economic Growth, Regulatory Relief, and Consumer Protection Act by (1) expanding the eligibility to file the agencies’ most streamlined report of condition, the FFIEC 051 Call Report, to include certain insured depository institutions with less than $5 billion in total consolidated assets that meet other criteria, and (2) establishing reduced reporting on the FFIEC 051 Call Report for the first and third reports of condition for a year. The OCC and the Board also are finalizing similar reduced reporting for certain uninsured institutions that they supervise with less than $5 billion in total consolidated assets that otherwise meet the same criteria.

The agencies are committed to exploring further burden reduction and are actively evaluating further revisions to the FFIEC 051 Call Report consistent with guiding principles developed by the FFIEC. The agencies also are considering ways to simplify the Call Report forms and instructions.

The final rule is effective July 22, 2019, to take effect as of the September 30, 2019 report date. Click here for additional detail.

For more information, contact the Call Report Series Coordinator, Gregory Roberson.

Agencies Propose Final Rule to Exclude Community Banks from Volcker Rule

The Board of Governors of the Federal Reserve System (Board), Office of the Comptroller of the Currency (OCC), Treasury, the Federal Deposit Insurance Corporation (FDIC), Securities and Exchange Commission (SEC), and Commodity Futures Trading Commission (CFTC) are adopting final rules to amend the regulations implementing the Bank Holding Company Act’s prohibitions and restrictions on proprietary trading and certain interests in, and relationships with, hedge funds and private equity funds (commonly known as the Volcker Rule) in a manner consistent with the statutory amendments made pursuant to certain sections of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). The EGRRCPA amendments and the final rules exclude from these prohibitions and restrictions certain firms that have total consolidated assets equal to $10 billion or less and total trading assets and liabilities equal to five percent or less of total consolidated assets. The EGRRCPA amendments and the final rules also revise the restrictions applicable to the naming of a hedge fund or private equity fund to permit an investment adviser that is a banking entity to share a name with the fund under certain circumstances.

These final rules are effective on July 22, 2019. Click here for additional detail.
Regulatory Capital Rules – Treatment of Land Development Loans for the Definition of High Volatility Commercial Real Estate Exposure

The Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively, "the agencies") are issuing a notice of proposed rulemaking (proposal) to seek comment on the treatment of loans that finance the development of land for purposes of the one- to four-family residential properties exclusion in the definition of high volatility commercial real estate (HVCRE) exposure in the agencies' regulatory capital rule. This proposal expands upon the notice of proposed rulemaking (HVCRE NPR) issued on September 28, 2018, that proposed to revise the definition of HVCRE exposure in the regulatory capital rule to conform to the statutory definition of “high volatility commercial real estate acquisition, development, or construction (HVCRE ADC) loan,” in accordance with section 214 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).

Click here to review the Federal Register notice.

Accounting for Leases – Lease Liabilities

Under ASU 2016-02, an institution must apply the new leases standard on a modified retrospective basis for financial reporting purposes. Under the modified retrospective method, an institution should apply the leases standard and the related cumulative-effect adjustments to affected accounts existing as of the beginning of the earliest period presented in the financial statements. However, when a new accounting standard requires the use of a retrospective application method, institutions should instead report the cumulative effect of adopting the new standard on the amount of retained earnings at the beginning of the year in which the new standard is first adopted for Call Report purposes (net of applicable income taxes, if any) as a direct adjustment to equity capital in the Call Report. For the adoption of the new leases standard, the cumulative-effect adjustment to bank equity capital for this change in accounting principle should be reported in Schedule RI-A, item 2, and disclosed in Schedule RI-E, item 4.b, “Effect of adoption of lease accounting standard – ASC Topic 842.” In July 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-11, “Targeted Improvements,” which provides an additional and “optional transition method” for comparative reporting purposes at adoption of the new leases standard. Under this optional transition method, an institution initially applies the new leases standard at the adoption date, and, for Call Report purposes, the institution should recognize and report a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

The agencies have received questions from institutions concerning the reporting of lease liabilities for operating leases by a bank lessee. The agencies plan to request public comment. Until that process is complete, the agencies will permit institutions to report the lease liability for operating leases in either Schedule RC-G, item 4, “All other liabilities,” or Schedule RC-M, item 5.b, “Other borrowings.”

More detailed guidance on accounting for leases can be found in the Call Report supplemental report instructions.
FASB Seeks Public Comment on Proposal to Extend Implementation Deadline for Credit Losses, Leases, and Hedging Standards

In August 2019, the Financial Accounting Standards Board (FASB) issued a proposed Accounting Standards Update (ASU) that would grant private companies, not-for-profit organizations, and certain small public companies additional time to implement FASB standards on Current Expected Credit Losses (ASU 2016-13), Leases (ASU 2016-02), and Hedging (ASU 2017-12).

The proposed ASU describes a new FASB philosophy that extends and simplifies how effective dates for major standards are staggered between larger public companies and all other entities. Those other entities include private companies, smaller public companies, not-for-profit organizations, and employee benefit plans. Under this philosophy, a major standard would first be effective for larger public companies. For all other entities, the Board would consider requiring an effective date staggered at least two years later. Generally, it is expected that early application would continue to be permitted for all entities.

Click here to access the proposed ASU issued by the FASB.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-04, “Simplifying the Test for Goodwill Impairment,” to address concerns over the cost and complexity of the two-step goodwill impairment test in Accounting Standards Codification (ASC) Subtopic 350-20, Intangibles – Goodwill and Other – Goodwill, that applies to an entity that has not elected the private company alternative for goodwill. The ASU simplifies the subsequent measurement of goodwill by eliminating the second step from the test, which involves the computation of the implied fair value of a reporting unit’s goodwill.

For an institution that is a public business entity and is also a U.S. Securities and Exchange Commission (SEC) filer, using both terms are defined in U.S. generally accepted accounting principles (GAAP), the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2019. For a public business entity that is not an SEC filer, the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2020. For all other institutions, the ASU is effective for goodwill impairment tests in fiscal years beginning after December 15, 2021. An institution that chooses early adoption of ASU 2017-04 for U.S. GAAP financial reporting purposes should choose early adoption of the ASU in the same period for Call Report purposes.

More detailed guidance for testing goodwill impairment can be found in the Call Report supplemental report instructions.
FR Y-8 Reportable Transactions Reminder

The Federal Reserve Bank of Cleveland would like to remind institutions to periodically review their covered transactions with affiliates for the FR Y-8, *Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates*, reporting applicability. All covered transactions that are subject to section 23A that an insured depository institution has with affiliates must be reported. To aid in determining reportable transactions, affiliates, and reporting exemptions, please see the report instructions. Additionally, if your institution is already reporting covered transactions on the FR Y-8, please review the instructions for reporting applicability.

For questions, please contact Andrea Balasco.

Ask the Fed Sessions

Have you ever participated in an Ask the Fed session? Ask the Fed® is an educational program that provides critical information about recent financial and regulatory developments. The target audience is senior officials of bank and holding companies and their financial institution subsidiaries, state bank commissioners, and state banking organizations.

During recent sessions, Ask the Fed hosted conference calls to discuss factors shaping the agricultural economic prospects for the remainder of 2019, the new semiannual *Supervision and Regulation Report*, application of model risk management to CECL models at large banks, commercial real estate trends and emerging risks, and recent events in the oil and gas markets affecting energy prices and the energy sector.

Click here to access Ask the Fed registration and login to view prior sessions.
Not Just a New Currency

Cleveland Fed researchers examine the features of the bitcoin payment system to show that while the decentralized nature of the bitcoin network “democratizes” payments, it is not obvious that the approach increases the equity or efficiency of markets or that the costs of the decentralized control structure won’t outweigh the benefits in the long run. Learn more in “Bitcoin’s Decentralized Decision Structure.”

Review the Economic Outlook for Metropolitan Statistical Areas in the Fourth District

The Cleveland Fed’s Metro Mix reports on changes in employment, housing values, per capita income gains, and more for a number of metro areas located within the District the Cleveland Fed serves. Read the full reports in Metro Mix.

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