In April and May 2020, the Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, “the agencies”) issued interim final rules (IFRs) relating to the Community Bank Leverage Ratio and the Paycheck Protection Program Liquidity Facility (PPPLF) to make changes to their regulatory capital and liquidity rules and to facilitate banking organizations’ use of the Board’s emergency facility and support prudent lending by banking organizations. Various provisions of the 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act) led to the agencies issuing these IFRs. The Paycheck Protection Program (PPP) implemented by the U.S. Small Business Administration (SBA) and the PPPLF established by the Board were put in place to provide financing to small businesses and liquidity to small business lenders to help stabilize the financial system in a time of significant economic strain. The Board also issued an IFR to amend its Regulation D to allow depository institution customers more convenient access to their funds. The IFRs were issued with an immediate effective date. Finally, section 4013 of the CARES Act provided temporary relief from the requirement to classify Coronavirus Disease 2019 (COVID-19) related loan modifications as Troubled Debt Restructurings.

As described below, the Board has temporarily revised the FR Y-9C, effective for the June 30, 2020, report date to account for the three IFRs described above, as well as section 4013 of the Coronavirus Aid, Relief, and Economic Security Act CARES Act. The Board determined that these revisions had to be instituted quickly and that public participation in the approval process would have substantially interfered with the Board’s ability to perform its statutory obligations. The Board has or will request public comment on these reporting changes through the standard Paperwork Reduction Act process at a later date.

The revisions include:

1) Updates to the instructions for the calculation of certain amounts reported on Schedule HC-R, Regulatory Capital.

2) New items on FR Y-9C report Schedule HC-C, Loans and Leases, and Schedule HC-M, Memoranda, to collect data on:
   a. Eligible loan modifications under section 4013, Temporary Relief from Troubled Debt Restructurings, of the 2020 CARES Act, with these items collected on a confidential basis; and
   b. U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loans and borrowings under the Federal Reserve PPP Liquidity Facility (PPPLF).

3) Revisions to the definitions of certain deposits reported on FR Y-9C report Schedule HC-E, Deposit Liabilities, in response to an IFR amending the Board’s Regulation D (12 CFR 204).

For further information on the IFRs and NPR, see the following Federal Register notices:

- Regulatory Capital Rule: Changes to the Community Bank Leverage Ratio (CBLR) Framework;
- Regulatory Capital Rule: Transition for the CBLR Framework;
- Regulatory Capital Rule: PPPLF and PPP Loans; and
- Regulation D: Reserve Requirements of Depository Institutions.
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I. Interim Final Rules for Temporary Changes to the Community Bank Leverage Ratio Framework

Background:

The Community Bank Leverage Ratio (CBLR) framework provides a simple measure of capital adequacy for certain qualifying community banking organizations. In November 2019, the agencies issued a final rule establishing the CBLR framework, which became effective January 1, 2020.

On April 23, 2020, the Board published two interim final rules to provide temporary relief to community banking organizations with respect to the CBLR framework. The statutory interim final rule implements Section 4012 of the CARES Act, which requires the agencies to temporarily lower the community bank leverage ratio qualifying criterion to 8 percent. The temporary changes to the CBLR framework implemented by the statutory interim final rule will cease to be effective as of the earlier of the termination date of the national emergency concerning the coronavirus disease declared by the President on March 13, 2020, under the National Emergencies Act (National Emergency), or December 31, 2020. After this date, the transition interim final rule becomes effective and provides community banking organizations with a clear and gradual transition, by January 1, 2022, back to the greater than 9 percent leverage ratio qualifying criterion previously established by the agencies. The other qualifying criteria in the CBLR framework have not been modified by the interim final rules.

The agencies have also published interim final rules related to the Money Market Mutual Fund Liquidity Facility (MMLF) and Paycheck Protection Program Liquidity Facility (PPPLF). Assets purchased under the MMLF and Paycheck Protection Program (PPP) covered loans pledged under the PPPLF are deducted from a holding company’s measure of average total consolidated assets for purposes of the leverage ratio calculation. However, such assets must be included in the holding company’s measure of total consolidated assets for purposes of determining a holding company’s eligibility to elect the CBLR framework. Specifically, no deduction for these assets would be made to Schedule HC, item 12. Holding companies participating in the MMLF or the PPPLF should refer to the specific supplemental instructions for those facilities.

General Instructions:

Temporary Change to the Leverage Ratio Requirement under the CBLR Framework (statutory interim final rule):

Effective the second quarter of 2020, a holding company may qualify for the CBLR framework if its leverage ratio is equal to or greater than 8 percent (as reported in Schedule HC-R, Part I, item 31) and it meets the following qualifying criteria: it has less than $10 billion in total consolidated assets (Schedule HC-R, Part I, item 32); is not an advanced approaches holding company; has total trading assets and trading liabilities of 5 percent or less of total consolidated assets (Schedule HC-R, Part I, item 33); and has total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets (Schedule HC-R, Part I, item 34).

As noted in the Background section, this temporary change provision will cease to be effective as of the earlier of the termination date of the National Emergency or December 31, 2020. The statutory interim final rule also includes a grace period. When this rule is in effect, the minimum leverage ratio under the grace period is equal to or greater than 7 percent.

Transition Provisions (transition interim final rule):

Upon the expiration of the statutory interim final rule, the transition interim final rule will become effective. Under the provisions of the transition interim final rule, a holding company may qualify for the CBLR framework if its leverage ratio is greater than 8 percent in the second through fourth quarters of calendar year 2020 (if applicable), greater than 8.5 percent in calendar year 2021, and greater than 9 percent in calendar year 2022, and thereafter. Also, the two-quarter grace period for a qualifying holding company
will take into account the graduated increase in the community bank leverage ratio requirement qualifying criterion. In order to maintain eligibility for the CBLR framework during the transition period, a holding company’s leverage ratio cannot fall more than one percentage point below the community bank leverage ratio requirement qualifying criterion.

Table 1 – Schedule of Community Bank Leverage Ratio Requirements (transition interim final rule)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Community Bank Leverage Ratio (percent)</th>
<th>Minimum Leverage Ratio under the applicable grace period (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 (2Q-4Q)*</td>
<td>&gt; 8.0</td>
<td>&gt; 7.0</td>
</tr>
<tr>
<td>2021</td>
<td>&gt; 8.5</td>
<td>&gt; 7.5</td>
</tr>
<tr>
<td>2022</td>
<td>&gt; 9.0</td>
<td>&gt; 8.0</td>
</tr>
</tbody>
</table>

* Table 1 reflects the leverage ratio requirement under the transition interim final rule. Effective the second quarter of 2020, when the statutory interim final rule is in effect, the community bank leverage ratio qualifying criterion is equal to or greater than 8 percent. Similarly, the minimum leverage ratio under the grace period when the statutory interim final rule is in effect is equal to or greater than 7 percent.

Ceasing to meet the leverage ratio requirement under the CBLR framework or failing to meet any of the other CBLR qualifying criteria

A qualifying holding company that temporarily fails to meet any of the qualifying criteria, including the leverage ratio requirement, generally would still be deemed well-capitalized so long as the holding company maintains a leverage ratio that does not fall more than one percentage point below the leverage ratio requirement during the two-quarter grace period. At the end of the grace period (see below for an example), the holding company must meet all of the qualifying criteria to remain in the CBLR framework or otherwise must apply and report under the generally applicable capital rule. Similarly, a holding company with a leverage ratio that is not within one percentage point of the leverage ratio requirement qualifying criterion under the CBLR framework is not eligible for the grace period and must comply with the generally applicable capital rule, by completing all of Schedule HC-R, Parts I and II, as applicable, excluding Schedule HC-R, Part I, items 32 through 36.

Under the CBLR framework, the grace period will begin as of the end of the calendar quarter in which the electing holding company ceases to satisfy any of the qualifying criteria and has a maximum period of two consecutive calendar quarters. For example, if the electing holding company had met all of the qualifying criteria as of March 31, 2020, but no longer meets one of the qualifying criteria as of May 15, 2020, and still does not meet all of the criteria as of the end of that quarter, the grace period for such a banking organization will begin as of the end of the quarter ending June 30, 2020. The holding company may continue to use the CBLR framework as of September 30, 2020, but will need to comply fully with the generally applicable capital rule (including the associated reporting requirements) as of December 31, 2020, unless the holding company once again meets all of the qualifying criteria of the CBLR framework, including the leverage ratio requirement qualifying criterion, before that time.

If a CBLR electing holding company is in the grace period when the required community bank leverage ratio increases, the banking organization would be subject, as of the date of that change, to both the higher community bank leverage ratio requirement and higher grace period leverage ratio requirement. For example, if the electing holding company that had met all of the qualifying criteria as of September 30, 2020, has a 7.2 percent community bank leverage ratio (but meets all of the other qualifying criteria) as of December 31, 2020, the grace period for such a holding company will begin as of the end of the fourth quarter. The holding company may continue to use the community bank leverage ratio framework as of March 31, 2021, if the holding company has a leverage ratio of greater than 7.5 percent, and will need to comply fully with the generally applicable capital rule (including the associated reporting requirements) as of June 30, 2021, unless the holding company has a leverage ratio of greater than 8.5 percent (and
meets all of the other qualifying criteria) by that date. In this example, if the holding company has a leverage ratio equal to or less than 7.5 percent as of March 31, 2021, it would not be eligible to use the community bank leverage ratio framework and would be subject immediately to the requirements of the generally applicable capital rule.

II. Interim Final Rule for Paycheck Protection Program Liquidity Facility (PPPLF) and Paycheck Protection Program (PPP) Loans

To enhance the liquidity of small business lenders and improve the functioning of the broader credit markets, the Federal Reserve Board authorized each of the Federal Reserve Banks to participate in the Paycheck Protection Program Liquidity Facility (PPPLF). On April 13, 2020, the agencies published an interim final rule, which permits holding company to exclude from regulatory capital requirements Paycheck Protection Program (PPP)\(^1\) covered loans pledged under the PPPLF. The interim final rule also clarifies that PPP covered loans as defined in section 7(a)(36) of the Small Business Act (15 U.S.C. 636(a)(36)) receive a zero percent risk weight.

The interim final rule modifies the agencies’ capital rule and allows PPPLF-eligible holding companies to neutralize the regulatory effects of PPP covered loans on their risk-based capital ratios, as well as PPP covered loans pledged under the PPPLF on their leverage capital ratios. When calculating leverage capital ratios, a holding company may exclude from average total consolidated assets and, as applicable, total leverage exposure a PPP covered loan as of the date that it has been pledged under the PPPLF. Accordingly, a PPP covered loan that has not been pledged as collateral in connection with an extension of credit under the PPPLF would be included in the calculation of the holding company's average total consolidated assets and, as applicable, total leverage exposure. This treatment extends to the community bank leverage ratio. No new extensions of credit will be made under the PPPLF after September 30, 2020, unless the Federal Reserve Board and U.S. Department of Treasury jointly determine to extend the facility.

Consistent with U.S. generally accepted accounting principles (U.S. GAAP), the Board would expect holding companies to report PPP covered loans on their balance sheets. Starting with the June 30, 2020, report date, holding companies would include the outstanding balances of their PPP covered loans held for investment or held for sale in the appropriate loan category in Schedule HC-C, Part I, and, as applicable, in other FR Y-9C schedules in which loan data are reported. PPP covered loans not held for trading that are pledged to the PPPLF would be reported in Schedule HC-C, Part I, Memorandum item 14, “Pledged loans and leases.” Any PPP covered loans held for trading would be reported by all holding companies on the FR Y-9C balance sheet in Schedule HC, item 5, with the fair value and amortized cost of such loans reported by loan category in Schedule HC-D, Trading Assets and Liabilities, by holding companies required to complete this schedule. The outstanding balance of PPP covered loans held for trading that are pledged to the PPPLF would be included in Schedule HC-D, Memorandum item 4.b, “Pledged loans,” on the FR Y-9C by holding companies required to complete this schedule.

Borrowings from the Federal Reserve Banks would be included in Schedule HC, item 16, “Other borrowed money”; the relevant subitem(s) under Schedule HC-M, item 14.b and 14.c, “Other borrowed money; and Schedule HC-M, item 23.b, “Amount of ‘Other borrowings’ that are secured.”

For regulatory capital reporting, PPP covered loan exposures, regardless of whether they are pledged under the PPPLF and except as noted below, would be reported in Schedule HC-R, Part II, item 4.d, “Loans and leases held for sale: All other exposures”; Schedule HC-R, Part II, item 5.d, “Loans and leases held for investment: All other exposures”; or Schedule HC-R, item 7, “Trading assets,” as appropriate, in both Column A (Totals) and Column C (0% risk-weight category).\(^2\) PPP covered loan

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\(^{1}\) The Paycheck Protection Program was established by Section 1102 of the 2020 Coronavirus Aid, Relief, and Economic Security Act.

\(^{2}\) Reporting in Schedule HC-R, Part II, applies only to holding companies that do not have a CBLR framework election in effect as of the quarter-end report date, as reported in Schedule HC-R, Part I, item 31.a.
exposures not held for trading that are past due 90 days or more or on nonaccrual would be reported in Schedule HC-R, Part II, item 4.c, “Loans and leases held for sale: Exposures past due 90 days or more or on nonaccrual,” or Schedule HC-R, Part II, item 5.c, “Loans and leases held for investment: Exposures past due 90 days or more or on nonaccrual,” as appropriate, in both Column A (Totals) and Column C (0% risk-weight category).3 The quarterly average of PPP covered loans pledged under the PPPLF would be included as a deduction in Schedule HC-R, Part I, item 29, “LESS: Other deductions from (additions to) assets for leverage ratio purposes,” and thus excluded from Schedule HC-R, Part I, item 30, “Total assets for the leverage ratio.”

Advanced approaches holding companies would not include PPP covered loans in “Total risk-weighted assets” reported in Schedule HC-R, Part I, item 46.b. Holding companies subject to the supplementary leverage ratio requirement would report their adjusted “Supplementary leverage ratio” in Schedule HC-R, Part I, items 53.

Banking organizations would separately report in Schedule HC-M, items 25.a, 25.b, 25.c, and 25.d, the number of PPP covered loans outstanding, the quarter-end outstanding balance of PPP covered loans, the quarter-end outstanding balance of PPP covered loans that are pledged to the PPPLF, and the quarterly average amount of PPP covered loans pledged to the PPPLF that were excluded from total assets for the leverage ratio reported in Schedule HC-R, Part I, item 30, respectively.

VI. Section 4013, Temporary Relief from Troubled Debt Restructurings (TDRs)

As provided for under the CARES Act, a holding company may account for an eligible loan modification either under Section 4013 or in accordance with Accounting Standards Codification (ASC) Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. If a loan modification is not eligible under Section 4013, or if the holding company elects not to account for the loan modification under Section 4013, the holding company should evaluate whether the modified loan is a TDR.

To be an eligible loan under section 4013 (section 4013 loan), a loan modification must be (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020.

Holding companies accounting for eligible loans under section 4013 are not required to apply ASC Subtopic 310-40 to the section 4013 loans for the term of the loan modification. Holding companies do not have to report section 4013 loans as TDRs in regulatory reports. However, consistent with the statute, the Board is collecting information about the volume of loans modified under section 4013. Holding companies should report the total number of loans outstanding that have been modified under section 4013 and the outstanding balance of these loans in FR Y-9C Schedule HC-C, Part I, Loans and Leases, Memorandum items 16.a and 16.b, respectively. These two items are being collected on a confidential basis at the institution level.

Institutions should continue to follow reporting instructions and U.S. GAAP for section 4013 loans, including:

- Appropriately reporting past due and nonaccrual status; and
- Maintaining an appropriate allowance for loan and lease losses in accordance with ASC Subtopic 450-20 or ASC Subtopic 310-10, or an appropriate allowance for credit losses in accordance with ASC Subtopic 326-20, as applicable.

Holding companies are not required to report section 4013 loans in the following FR Y-9C items:

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• Schedule HC-C, Part I, Memorandum item 1, “Loans restructured in troubled debt restructurings that are in compliance with their modified terms.”
• Schedule HC-N, Memorandum item 1, “Loans restructured in troubled debt restructurings included in Schedule HC-N, items 1 through 7, above.”

One-to-four family residential mortgages will not be considered restructured or modified for the purposes of the agencies’ risk-based capital rules solely due to a short-term modification made on a good faith basis in response to COVID-19, provided that the loans are prudently underwritten and not 90 days or more past due or carried in nonaccrual status. Loans meeting these requirements that received a 50 percent risk weight prior to such a modification may continue receiving that risk weight.

IV. Interim Final Rule for Reserve Requirements of Depository Institutions (Regulation D)

On April 28, 2020, the Board issued an Interim Final Rule amending its Regulation D (12 CFR 204) to delete the numeric limits on certain kinds of transfers and withdrawals that may be made each month from “savings deposits.” In response to the changes to Regulation D, the definitions of certain deposits reported on FR Y-9C Schedule HC-E, Deposit Liabilities have been revised. The following pages (pages 8 to 23) contain the redlined instructions for these revisions.