Appendix 2—Draft Reporting Instructions

General Instructions

I. Interest Rate Risk Reporting Requirements

A. Schedule 1

Schedule 1 must be completed by those commercial banks and FDIC-supervised savings banks which do not meet all of the following exemption criteria:

(1) The institution's total assets are less than $300 million, and

(2) The bank's primary federal supervisor has assigned the institution a composite CAMEL rating of either ''1'' or ''2''; and

(3) The sum of:

a. 30% of the institution's fixed- and floating-rate loans and securities with contractual maturity or repricing dates between 1 and 5 years, and

b. 100% of the institution's fixed- and floating-rate loans and securities with contractual maturity or repricing dates beyond 5 years,

is less than 30% of the institution's total assets as of the report date.

Exempted institutions may file Schedule 1 on a voluntary basis. Institutions that file Schedule 1 should report ''N/A'' in Schedule RC–B, Memorandum Item 2; Schedule RC–C, Part I, Memorandum Item 2 on FFIEC 034; Schedule RC–C, Part I, Memorandum Item 3 on FFIEC 031, 032, and 033; and Schedule RC–E, Memorandum Items 5 and 6. FDIC-supervised savings banks which file Schedule 1 should report ''N/A'' in Schedule RC–J.

All shifts in reporting status, with one exception, are to begin with the March Reports for Condition and Income. Such a shift will take place only if the reporting bank's condition fails to meet the exemption criteria, as previously noted, as of the June reporting date. Banks involved with business combinations (pooling of interests, purchase acquisitions, or reorganizations) will be subject to new reporting requirements, if any, beginning with the first quarterly report date following the effective date of a business combination involving a bank and one or more depository institutions.

II. Criteria for Required Completion of Supplemental Schedules 2–4

These schedules are applicable only to banks that answered ''yes'' to the reporting requirement for Schedule 1. This section identifies which of the supplemental interest rate risk reporting schedules, if any, must be completed based on the reporting bank's level of mortgage holdings as a percent of total assets as of the report date.

A. Schedule 2

If ''total adjusted fixed-rate mortgage holdings'' divided by total assets (on an unrounded basis) is greater than 20 percent of total assets, then the bank should place an ''X'' in the box marked ''Yes''. Otherwise, indicate ''No'' in Item 1. If the box marked ''Yes'' is checked, then the bank must complete Schedule 2. Banks completing Schedule 2 should only report the total amount of fixed-rate mortgage holdings on Schedule 1, Items 1(b) and 2(b), in Column A; the distribution of these instruments across Columns B through H is not required.

For purposes of this item, ''total adjusted fixed-rate mortgage holdings'' equals the sum of the bank's permanent loans secured by first liens on 1–4 family residential mortgages, which have fixed interest rates; and the bank's mortgage-backed pass-through securities not held for trading, which have fixed interest rates less any of those loans held for sale and delivery to secondary market participants such as FNMA or FHLMC under terms of a binding commitment.

B. Schedule 3

If ''total adjusted adjustable-rate mortgage holdings'' divided by total assets (on an unrounded basis) is equal to or greater than 10 percent but less than 25 percent of total assets, then the bank should place an ''X'' in the box marked ''Yes'' in Item No. 1. Otherwise, indicate ''No'' in Item No. 1. If the box marked ''Yes'' is checked, then the bank must complete Schedule 3. Banks completing Schedule 3 are exempt from completing Schedule 4 and the memoranda section of Schedule 1.

C. Schedule 4

If ''total adjusted adjustable-rate mortgage holdings'' divided by total assets (on an unrounded basis) is greater than or equal to 25 percent of total assets, then the bank should place an ''X'' in the box marked ''Yes'' in Item No. 1. Otherwise, indicate ''No'' in Item No. 1. If the box marked ''Yes'' is checked, then the bank must complete Schedule 4. Banks completing Schedule 4 are exempt from completing Schedule 3 and the memoranda section of Schedule 1.

For purposes of Schedules 3 and 4, ''total adjusted adjustable-rate mortgage holdings'' equals the sum of the bank's permanent loans secured by first liens on 1–4 family residential mortgages which have adjustable interest rates and the bank's mortgage pass-through securities not held for trading which have adjustable interest rates less any of those loans held for sale and delivery to secondary market participants such as FNMA or FHLMC under terms of a binding commitment.

Institutions that are not required to complete the supplemental schedules may elect to do so on a voluntary basis.

III. Reporting Instructions—Schedule 1

The information required in Schedule 1 primarily represents the distribution across Columns B through H of maturity and repricing data for selected assets, liabilities and off- balance sheet items that are outstanding as of the report date. These distributed dollar amounts must equal the total dollar amounts reported in Column A. Assets in nonaccrual status are excluded from this schedule. Additionally, a self-reporting section is to be completed by those banks holding particular types and/or concentrations of interest rate sensitive assets and off-balance sheet contracts. This section requests information concerning the carrying value of these items as well as estimates of market value changes for the 200 basis point rising and falling interest rate scenarios. The carrying value of the bank's trading account holdings is requested separately in the self-reported section, along with market value changes given 100 basis point rising and falling interest rate scenarios. Estimates for self-reported items may be obtained from a reliable third party source or from the institution's internal risk measurement system. Schedule 1 also contains a memoranda section for the reporting of adjustable-rate mortgage holdings by reset frequency for those banks with less than 10% of total assets in adjustable-rate mortgages.

Definitions

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the asset or liability, and is known to both the borrower and the lender. Also treated as a fixed interest rate is any rate that changes during the term of the asset or liability on a predetermined basis, with the exact rate of interest over the life of the instrument known with certainty to both the borrower and the lender at origination or when the instrument is acquired.

The remaining maturity is the amount of time remaining from the report date until the final contractual maturity of an asset or liability.

A floating or adjustable rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government