



Chapter 7 Bankruptcy Reporting Guidance

Upcoming Due Dates

(Not all reports are applicable to all HCs)

FFIEC 031/041	Due January 30, 2014
FFIEC 002	Due January 30, 2014
FR Y-8	Due January 30, 2014
FR Y-9C	Due February 14, 2014
FR Y-12	Due February 14, 2014
FFIEC 019	Due February 14, 2014
FFIEC 030	Due February 14, 2014
FFIEC 030s	Due February 14, 2014
FR Y-9LP	Due February 14, 2014
FR Y-9SP	Due February 14, 2014
FR Y-11/11S	Due March 3, 2014
FR 2314	Due March 3, 2014
FR Y-7Q	Due March 31, 2014

FR H-(b)11 Changes

Effective September 30, 2013, the Board of Governors of the Federal Reserve System will only collect FR H-(b)11 data from savings and loan holding companies exempt from filing Federal Reserve regulatory reports. Therefore, please be advised that your institution may no longer be required to file the Savings Association Holding Company Report (FR H-(b)11) effective September 30, 2013. If your institution files other Federal Reserve regulatory reports such as the Financial Statements for Holding Companies (FR Y-9C), or the Parent Only Financial Statements for Small Holding Companies (FR Y-9SP), an FR H-(b)11 is no longer needed for supervision purposes.

More information is available at: <http://www.dallasfed.org/assets/documents/banking/regulatory/hb11.pdf>

Have an Article Idea?

The *Regulatory Reporting Newsletter* is brought to you by the Regulatory Reporting Team at the Federal Reserve Bank of Dallas. This newsletter was designed to provide you with information on reporting issues and regulatory report changes. If you have suggestions on topics you would like to have addressed in the *Regulatory Reporting Newsletter*, please send your suggestions to: BHCReports@dal.frb.org

When a debtor files for Chapter 7 bankruptcy, it results in a discharge of personal liability for certain debts that arose before the petition date. A bankruptcy discharge acts as a permanent injunction of claims against the debtor, but does not extinguish certain secured debt or any existing liens on the property securing the debt. Accounting and regulatory reporting issues may arise for secured consumer loans discharged in a Chapter 7 bankruptcy, which include: (1) whether the discharge is a TDR, (2) the measure of impairment, (3) whether the loan should be placed in nonaccrual status, and (4) charge-off treatment. Below we offer brief guidance that may be of assistance to your institution.

When determining whether a secured consumer debt discharged in a Chapter 7 bankruptcy constitutes a troubled debt restructuring, a holding company needs to assess whether a concession has been granted to the borrower. Institutions should consider all relevant facts and circumstances, including the effect of changes to the legal rights and obligations of the lender and the borrower resulting from Chapter 7 bankruptcy.

If a holding company has concluded that the completion of a Chapter 7 bankruptcy filing has resulted in a TDR, the loan should be measured for impairment under ASC Section 310-10-35 (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan"). For regulatory reporting purposes, holding companies must measure impairment based on the fair value of the collateral when an impaired loan is determined to be collateral dependent for repayment. If repayment of an impaired loan is not solely dependent upon the underlying collateral, impairment would be measured based on the present value of expected future cash flows.

Be advised that a loan or other debt instrument that has been formally restructured so as to be reasonably assured of repayment (of principal and interest) and of performance according to its modified terms need not be maintained in nonaccrual status. The restructuring must be supported by a current, well-documented credit evaluation of the borrower's financial condition and the prospects for repayment under the revised terms. Otherwise, the restructured asset must remain in nonaccrual status. Institutions are expected to follow revenue recognition practices that do not result in overstating income. Please review the FR Y-9C Glossary entry under "Nonaccrual Status" for detailed guidance.

Finally, GAAP states that loans shall be charged off in the period in which the loans are deemed uncollectible. To assess whether such a loan should be deemed uncollectible, a holding company should perform a credit analysis at the time a borrower whose loan is current completes Chapter 7 bankruptcy. If the analysis indicates repayment of principal and interest is likely to continue, then immediate charge down to collateral value and full application of payments to reduce the recorded investment in the loan is not required. If a credit analysis does not support that repayment is likely to continue, the loan should be charged down to the collateral's fair value (less costs to sell). Any balance not charged off should be placed on nonaccrual when full collection of principal and interest is not expected.

For more information on this topic please visit: http://www.federalreserve.gov/reportforms/supplemental/SI_FR9_201309.pdf

FR Y-8 Reporting May Be Easier than You Think...

The first step in reporting and filing the Bank Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates (FR Y-8) is the review of the 11 statements on the Declaration Page (page 2) of the report form. If it is determined that your bank meets ALL of the criteria outlined on this page in Parts A and B, then check the box and stop. It is not necessary to (and please do not) report zeros for any items on pages 3 and 4. Conversely, leaving the box unchecked indicates that you have dollar values to report. Values reported should be greater than zero.

FR Y-9C and FR Y-9SP Report Form Changes

In case you missed it in the Federal Register published August 12, 2013, the Federal Reserve proposed revisions to both the FR Y-9C and FR Y-9SP, that if approved, will take effect beginning in 2014.

The Federal Reserve proposed revisions to the FR Y-9C consistent with the revised regulatory capital rules that were approved by the Federal Reserve Board on July 2, 2013. The proposal would split the current Schedule HC-R, Regulatory Capital, into two parts: Part I, which would collect information on regulatory capital components and ratios, and Part II, which would collect information on risk-weighted assets. Part I of proposed Schedule HC-R would be temporarily designated with Parts I.A. and I.B.

Only Advanced Approaches bank holding companies would begin reporting on the proposed Schedule HC-R Part I.B, starting on March 31, 2014, applying the revised regulatory capital rules. On March 31, 2015, Part I would then be re-designated to eliminate one section, and all FR Y-9C respondents (including those that are not subject to the Advanced Approaches Rule) would begin reporting data items, applying the revised regulatory capital rules.

Also under the revised regulatory capital rules, top tier savings and loan holding companies that are not substantially engaged in insurance or commercial activities (covered SLHCs) are subject to consolidated regulatory capital requirements effective January 1, 2015. These covered SLHCs would begin reporting on the proposed FR Y-9C, Schedule HC-R, Part I, starting on March 31, 2015.

The Federal Reserve also proposed revising the FR Y-9SP by implementing new Schedule SC-R, Regulatory Capital Components and Ratios, to collect consolidated regulatory capital data from small covered SLHCs. Schedule SC-R would eliminate the need for these small covered SLHCs to file a consolidated FR Y-9C report. Small covered SLHCs would apply the revised regulatory capital rules to report their regulatory capital data on proposed Schedule SC-R starting on June 30, 2015. Small BHCs that file FR Y-9SP would not be affected by this proposal and they would not be required to complete proposed Schedule SC-R.

More information on the proposal is available at: http://www.federalreserve.gov/reportforms/formsreview/FRY9C_FRY9SP_20130812_ifr.pdf

When to File an FR Y-9C Instead of an FR Y-9SP

When would a holding company that currently files an FR Y-9SP (Parent Company Only Financial Statements for Small Holding Companies) have to change reporting status and instead file an FR Y-9C (Consolidated Financial Statements for Holding Companies) and FR Y-9LP (Parent Company Only Financial Statements for Large Holding Companies)? The answer to this question depends on what caused the holding company to reach the \$500 million threshold and when it was reached.

A top-tier holding company that reaches \$500 million or more in total consolidated assets as of June 30 of the preceding year must begin reporting the FR Y-9C and the FR Y-9LP in March of the current year, and any lower-tier holding companies must begin reporting the FR Y-9LP in March of the current year.

Example 1: ABC Holding Company had total consolidated assets of \$450 million in December 2011 and was an FR Y-9SP filer. Through natural growth (not caused by mergers or acquisitions, etc.), ABC Holding Company's total consolidated assets was \$533 million in June 2012. ABC would continue to file an FR Y-9SP for June 2012 and December 2012. In March 2013, however, ABC Holding Company would start filing the FR Y-9C and Y-9LP on a quarterly basis. If ABC Holding Company had a lower-tier holding company, they would also file a FR Y-9LP starting in March 2013.

Example 2: ABC Holding Company had total consolidated assets of \$490 million in June 2011, but in September 2011, total consolidated assets were \$530 million through natural growth. ABC Holding Company would continue to file an FR Y-9SP for December 2011, June 2012 and December 2012. Starting in March 2013, ABC Holding Company would begin filing the FR Y-9C and FR Y-9LP on a quarterly basis. If ABC Holding Company had a lower-tier holding company, they would also file a FR Y-9LP starting in March 2013.

If a top-tier holding company reaches \$500 million or more in total consolidated assets due to a business combination, a reorganization or a branch acquisition that is not a business combination, then the holding company must begin reporting the FR Y-9C and the FR Y-9LP with the first quarterly report date following the effective date of the business combination, reorganization or branch acquisition, and any lower-tier holding companies must begin reporting the FR Y-9LP with the first quarterly report date following the effective date.

Example: ABC Holding Company had total consolidated assets of \$490 million in June 2012. ABC Holding Company was involved in a merger effective August 2012 and because of the merger, total consolidated assets were \$650 million. ABC would be required to file the FR Y-9C and FR Y-9LP for September 2012. If ABC Holding Company had a lower-tier holding company, they would also file a FR Y-9LP, starting in September 2012. There would be no grace period as ABC Holding Company exceeded the \$500 million threshold due to a merger.

For further information, please review the General Instructions using the attached link: http://www.federalreserve.gov/reportforms/forms/FR_Y-9C20130930_i.pdf

Minimum Liquidity Requirement Proposal

A new proposed rule would require large banking and financial companies to hold minimum amounts of assets that can be converted easily and quickly into cash. U.S. firms would have to comply fully with this new liquidity standard by January 1, 2017. The deadline for public comments is January 31, 2014.

Additional Information is available online at: <http://www.federalreserve.gov/newsevents/press/bcreg/20131024a.htm>

Public comment is available online at: <http://www.regulations.gov/#!/home>

Report Analysts

You may also wish to visit our website at <http://dallasfed.org/banking/regulatory> for electronic versions of our *Regulatory Reporting Newsletter* as well as the contact names, phone numbers and email addresses of our staff.

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