

SCHEDULE RC-Q – FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

General Instructions

Schedule RC-Q is to be completed by banks that have adopted FASB Statement No. 157, “Fair Value Measurements” (FAS 157), and either:

- (1) Have elected to report certain assets and liabilities at fair value with changes in fair value recognized in earnings in accordance with U.S. generally accepted accounting principles (GAAP) (i.e., FASB Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (FAS 159); FASB Statement No. 155, “Accounting for Certain Hybrid Financial Instruments” (FAS 155); and FASB Statement No. 156, “Accounting for Servicing of Financial Assets” (FAS 156)). This election is generally referred to as the fair value option.

OR

- (2) Are required to complete Schedule RC-D, Trading Assets and Liabilities.

Banks that have elected to report certain assets and liabilities at fair value through earnings in accordance with FAS 155 and/or FAS 156, but have not adopted FAS 157, need not complete Schedule RC-Q until the first quarter-end report date after the effective date of FAS 157, which is determined based on a bank’s fiscal year.

Banks must adopt FAS 157 for purposes of the Reports of Condition and Income in the first fiscal quarter of their first fiscal year beginning after November 15, 2007. Thus, banks with a calendar year fiscal year must adopt FAS 157 as of January 1, 2008. Earlier adoption of FAS 157 is permitted as of the beginning of an earlier fiscal year in accordance with the provisions of the standard (e.g., as of January 1, 2007, for banks with a calendar year fiscal year, provided FAS 157 is applied in their originally filed March 31, 2007, reports).

Column Instructions

Column A, Total Fair Value Reported on Schedule RC

For items 1, 2.a, 3, 4, 6, and 7, include in Column A the total fair value of those assets and liabilities reported on Schedule RC, Balance Sheet, that the bank has elected to report at fair value under the fair value option. For items 2 and 5, include in Column A the total amount of trading assets and trading liabilities reported in Schedule RC, item 5 and item 15, respectively.

Columns B and C, Fair Value Measurements

Include in Column B the fair value reported in Column A for those assets or liabilities whose fair value was determined using Level 2 measurement inputs as defined in FAS 157. Include in Column C the fair value reported in Column A for those assets or liabilities whose fair value was determined using Level 3 inputs as defined in FAS 157. If the fair value of an asset or liability has elements of both Level 2 and Level 3 measurement inputs, report the entire fair value of the asset or liability in Column B or Column C based on the lowest level measurement input with the most significance to the fair value of the asset or liability in its entirety as described in FAS 157. For more information on Level 2 and 3 measurement inputs, see the Glossary entry for “fair value.”

Item Instructions**Item No.** **Caption and Instructions**

- 1** **Loans and leases.** Report in the appropriate column the total fair value of those loans held for sale and held for investment that the bank has elected to report under the fair value option and the fair values determined using Level 2 and Level 3 measurement inputs. Loans held for sale that the bank has elected to report under the fair value option are included in Schedule RC, item 4.a. Loans held for investment that the bank has elected to report under the fair value option are included in Schedule RC, item 4.b. Leases are generally not eligible for the fair value option. Exclude loans held for sale that are reported at the lower of cost or fair value.
- 2** **Trading assets.** Report in the appropriate column the total fair value of trading assets as reported in Schedule RC, item 5, and the fair values determined using Level 2 and Level 3 measurement inputs.
- 2.a** **Nontrading securities at fair value with changes in fair value reported in current earnings.** Report in the appropriate column the total fair value of those securities the bank has elected to report under the fair value option that is included in Schedule RC-Q, item 2 above, and the fair values determined using Level 2 or Level 3 measurement inputs. Securities that the bank has elected to report at fair value under the fair value option are reported as trading securities pursuant to FAS 159 even though management did not acquire the securities principally for the purpose of selling them in the near term.
- 3** **All other financial assets and servicing assets.** Report in the appropriate column the total fair value of all other assets (except loan commitments reported in Schedule RC-Q, item 7 below) the bank has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 1 and 2 above, and the fair values determined using Level 2 or Level 3 measurement inputs.
- Exclude derivative assets held for purposes other than trading and interest-only strips receivable (not in the form of a security) from this item. Because these two categories of financial instruments are required to be reported at fair value on the balance sheet under applicable accounting standards, the fair value option cannot be applied to them.
- 4** **Deposits.** Report in the appropriate column the total fair value of those deposits the bank has elected to report under the fair value option that is included in Schedule RC, items 13.a and 13.b, and the fair values determined using Level 2 and Level 3 measurement inputs. Deposits with demand features (e.g., demand and savings deposits in domestic offices) are generally not eligible for the fair value option.
- 5** **Trading liabilities.** Report in the appropriate column the total fair value of trading liabilities as reported in Schedule RC, item 15, and the fair values determined using Level 2 and Level 3 measurement inputs.
- 6** **All other financial liabilities and servicing liabilities.** Report in the appropriate column the total fair value of all other liabilities (except loan commitments reported in Schedule RC-Q, item 7 below) the bank has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 4 and 5 above, and the fair values determined using Level 2 or Level 3 measurement inputs.

Item No. **Caption and Instructions**

- 6** Exclude derivative liabilities held for purposes other than trading from this item. Because
(cont.) derivatives are required to be reported at fair value on the balance sheet under applicable
 accounting standards, the fair value option cannot be applied to them.
- 7** **Loan commitments (not accounted for as derivatives).** Report in the appropriate column
 the total fair value of those unused loan commitments the bank has elected to report under
 the fair value option that is included in Schedule RC, Balance Sheet, and the fair values
 determined using Level 2 and Level 3 measurement inputs. Exclude unused loan
 commitments that meet the definition of a derivative under GAAP. For purposes of this item,
 report the net fair value of unused loan commitments reported as assets and those reported
 as liabilities. If the net fair value is a liability, report it as a negative number.