Supporting Statement for
the Consolidated Reports of Condition and Income
(FFIEC 031 and 041; OMB No. 7100-0036)

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to revise the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031and 041; OMB No. 7100-0036) under the emergency clearance provisions of OMB's regulations. Call Report data are required of state member banks and are filed on a quarterly basis. The revisions to the Call Reports that are the subject of this request have been approved by the FFIEC. The Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) (agencies) have also submitted a similar request for OMB review in order to request this information from institutions under their supervision.

The Federal Reserve proposes to add the following data items to the Call Report effective December 31, 2008: (1) number of noninterest-bearing transaction accounts over $250,000, and (2) amount of noninterest-bearing transaction accounts over $250,000. These revisions arise from interim and final rules approved by the FDIC Board of Directors on October 23, 2008, and November 21, 2008, respectively, which implement the FDIC's Temporary Liquidity Guarantee (TLG) Program. The data items would be submitted by eligible insured depository institutions participating in the Transaction Account Guarantee Program component of the TLG program and would allow the FDIC to determine assessment fees. The current annual burden for the Call Reports is estimated to be 184,328 hours; the proposed revisions are estimated to increase the annual burden to 186,027 hours.

Background and Justification

Banks that are members of the Federal Reserve System are required by law to file reports of condition with the Federal Reserve System [Section 9(6) of the Federal Reserve Act (12 U.S.C. 324)]. Section 141 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), Pub. L. No. 102-242 (Dec. 19, 1991), added Section 13(c)(4)(G) to the Federal Deposit Insurance Act (FDI Act). 12 USC 1823(c)(4)(G). That section authorizes action by the federal government in circumstances involving a systemic risk to the nation's financial system. On October 13, 2008, in response to the unprecedented disruption in credit markets and the resultant effects on the abilities of banks to fund themselves and to intermediate credit, the Secretary of the Treasury (after consultation with the President) made a determination of systemic risk following receipt of the written recommendation of the FDIC Board, along with the written recommendation of the Board of Governors of the Federal Reserve System, in accordance with Section 13(c)(4)(G).

The systemic risk determination allows the FDIC to take certain actions to avoid or mitigate serious adverse effects on economic conditions or financial stability. Pursuant to the systemic risk determination, the FDIC Board established the TLG Program. Under the interim rule, the TLG Program was comprised of (1) a guarantee by the FDIC of all senior unsecured debt of insured depository institutions and their bank holding companies, financial holding companies, and thrift holding companies (other than unitary thrift holding companies) issued between October 14, 2008, and June 30, 2009, with guarantees expiring not later than June 30, 2012; and (2) a 100 percent guarantee of noninterest-bearing transaction accounts held by insured depository institutions until December 31, 2009. The TLG Program provides for a system of assessments to be paid by participating entities for these guarantees. The TLG Program is designed to strengthen confidence and encourage liquidity in the banking system in order to ease lending to creditworthy businesses and consumers.

Under the final rule, the Transaction Account Guarantee Component of the TLG Program will provide temporary unlimited deposit insurance coverage of funds in certain noninterest-bearing transaction accounts at FDIC-insured institutions. This coverage became effective on October 14, 2008, and will continue through December 31, 2009, unless an insured institution elects to opt out of this component of the TLG Program by December 5, 2008.

To facilitate the FDIC's administration of the TLG Program, the FDIC Board, on October 23, 2008, approved an interim rule[1] that contains several collections of information, including the revisions to the currently approved collections of information that are the subject of this submission and for which the agencies are requesting emergency approval from OMB. These collections of information are also contained in the final rule that the FDIC Board approved on November 21, 2008. For the other collections of information contained in the interim rule, the FDIC requested, and OMB granted, emergency approval under OMB No. 3064-0166. This request for emergency clearance will be followed up with a request for approval under OMB's normal clearance procedures.

Under the FDIC's final rule, each insured depository institution participating in the Transaction Account Guarantee Program is required to pay quarterly an annualized 10 basis point assessment on any deposit amounts exceeding the existing deposit insurance limit of $250,000 in any noninterest-bearing transaction accounts (as defined in the final rule), as reported in its quarterly Call Report. Noninterest-bearing transaction accounts include amounts swept from such an account into a noninterest-bearing savings deposit account. They also include accounts commonly known as Interest on Lawyers Trust Accounts and negotiable order of withdrawal (NOW) accounts with interest rates no higher than 0.50 percent for which the insured depository institution at which the account is held has committed to maintain the interest rate at or below 0.50 percent. For participating institutions, these assessments begin November 13, 2008. The initial quarterly assessment would be determined from the deposit amounts reported in the quarterly regulatory reports beginning with the December 31, 2008, report date.

Description of Information Collection

The Call Reports collect basic financial data from commercial banks in the form of a balance sheet, income statement, and supporting schedules. The Report of Condition contains supporting schedules that provide detail on assets, liabilities, and capital accounts. The Report of Income contains supporting schedules that provide detail on income and expenses.

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1 73 FR 64179, October 29, 2008. The FDIC amended the interim rule effective November 4, 2008. 73 FR 66160, November 7, 2008.

Within the Call Report information collection system as a whole, there are two reporting forms that apply to different categories of banks: (1) all banks that have domestic and foreign offices (FFIEC 031), and (2) banks with domestic offices only (FFIEC 041).

Proposed Revisions

The proposed revisions discussed below would be effective December 31, 2008.

On Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, two items would be added in which participating institutions in the TLG program would report the number and amount of noninterest-bearing transaction accounts, as defined, over $250,000, including amounts swept from noninterest-bearing transaction accounts into noninterest-bearing savings accounts. A participating institution would have the option to exclude amounts in custodial or escrow noninterest-bearing transaction accounts over $250,000 that are fully insured because of pass-through insurance coverage as well as amounts in noninterest-bearing transaction accounts over $250,000 that are otherwise fully insured under joint account relationships or other existing provisions of the FDIC's deposit insurance rules to the extent that these amounts can be determined by the institution and are fully supported in the institution's regulatory reporting workpapers. A participating institution would not be required to make a determination of amounts over $250,000 that are otherwise fully insured but may do so at its option.

Because of the immediate implementation of the TLG Program, the agencies cannot reasonably comply with normal clearance procedures because an unanticipated event has occurred and the use of normal clearance procedures is reasonably likely to prevent or disrupt the collection of information.

Time Schedule for Information Collection

The Call Reports are collected quarterly as of the end of the last calendar day of March, June, September, and December. Less frequent collection of Call Reports would reduce the Federal Reserve's ability to identify on a timely basis those banks that are experiencing adverse changes in their condition so that appropriate corrective measures can be implemented to restore their safety and soundness. State member banks must submit the Call Reports to the appropriate Federal Reserve Bank within thirty calendar days following the as-of date; a five-day extension is given to banks with more than one foreign office.

Aggregate data are published in the *Federal Reserve Bulletin* and the *Annual Statistical Digest*. Additionally, data are used in the *Uniform Bank Performance Report (UBPR)* and the *Annual Report of the FFIEC*. Individual respondent data, excluding confidential information, are available to the public from the National Technical Information Service in Springfield, Virginia, upon request approximately twelve weeks after the report date. Data are also available from the FFIEC Central Data Repository Public Data Distribution (CDR PDD) web site (https://cdr.ffiec.gov/public/). Data for the current quarter are made available, when submitted by each bank, beginning approximately 15 calendar days after the report date. Updated or revised data may replace data already posted at any time thereafter.

Legal Status

The Board's Legal Division has determined that Section 9 of the Federal Reserve Act [12 U.S.C. 324] authorizes the Board to require these reports from all banks admitted to membership in the Federal Reserve System. The Board's Legal Division has also determined that the individual respondent information contained in the trust schedule, RC-T are exempt from disclosure pursuant to the Freedom of Information Act [5 U.S.C. 552(b)(4) and (8)]. Finally, Column A and Memorandum item 1 to Schedule RC-N, "Past Due and Nonaccrual Loans, Leases, and Other Assets," are exempt from disclosure pursuant to the Freedom of Information Act [5 U.S.C. 552(b)(4) and (8)] for periods prior to March 31, 2001. The proposed items would not be held confidential.

Consultation Outside the Agency

Prior to the issuance of the interim rule, the FDIC consulted with U.S. Treasury Department, the Board, the OCC, and the OTS. The FDIC requested public comment on the interim rule for an abbreviated 15-day period ending on November 13, 2008. The FDIC received over 700 comment letters on the interim rule and, after consideration of these comments, the FDIC Board approved the final rule on November 21, 2008. However, the agencies will follow this request for emergency processing with a request under normal clearance procedures, during which comments will be solicited for 60-day and 30-day periods. All comments received on paperwork burden, whether during the 60- or 30-day comment periods will be considered in finalizing the collection.

Estimate of Respondent Burden

The Federal Reserve estimates that the proposed revisions would increase the estimated annual burden by 1,699 hours. This proposal would add two new data items to the Call Reports, which would produce an average increase in reporting burden for banks of all sizes of 33 minutes per response. The Federal Reserve estimates the total proposed annual reporting burden for state member banks to be 186,027 hours, as shown below. This burden represents 4 percent of the total Federal Reserve paperwork burden.

	Number of respondents	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current	885	4	52.07	184,328
Proposed	885	4	52.55	186,027
Change				1,699

The total cost to state member banks is estimated to be $11,050,004 annually.[2] This estimate represents costs associated with recurring salary and employee benefits, and expenses associated with software, data processing, and bank records that are not used internally for management purposes but are necessary to complete the Call Reports.

With respect to the changes that are the subject of this submission, banks would incur a capital and start-up cost component, but the amount would vary from bank to bank depending upon its individual circumstances and the extent of its involvement, if any, with the particular type of activity or product about which information would begin to be collected. An estimate of this cost component cannot be determined at this time.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

Current costs to the Federal Reserve System for collecting and processing the Call Reports are estimated to be $1,589,906 per year. This amount includes the routine annual costs of personnel, printing, and computer processing, as well as internal software development costs for maintaining and modifying existing operating systems used to edit and validate submitted data.

2 Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by annual burden hours, multiplied by hourly rate: 30% - Clerical @ $25, 50% - Managerial or Technical @ $55, 10% - Senior Management @ $100, and 10% - Legal Counsel @ $144. Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics, *Occupational Employment and Wages*, news release.