

SUPPORTING STATEMENT

Consolidated Reports of Condition and Income (Insured State Nonmember Banks)

FFIEC 031 and 041
(OMB No. 3064-0052)

INTRODUCTION

The FDIC is submitting for OMB review changes to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Report) filed quarterly by insured state nonmember banks. The Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC) are also submitting these changes for OMB review for the banks under their supervision.

The proposed revisions to the Call Reports that are the subject of this request have been approved by the FFIEC. These revisions would take effect on a phased-in basis during 2009. They include new data items that will address areas in which the banking industry has experienced heightened risk as a result of market turmoil and illiquidity and weakening economic and credit conditions. A limited group of changes would take effect March 31, 2009; most revisions would take effect June 30, 2009; and a final group of revisions applicable only to trust institutions that complete the Call Report's Fiduciary and Related Services schedule would take effect December 31, 2009. For the March 31, 2009, report date, banks may provide reasonable estimates for any new or revised Call Report item initially required to be reported as of that date for which the requested information is not readily available. This same policy on the use of reasonable estimates will apply to the reporting of other new or revised items when they are first implemented effective June 30 and December 31, 2009.

The agencies are proposing to make the following phased-in Call Report revisions:

For March 31, 2009:

- Responding to new accounting standards that take effect in the first quarter of 2009 by:
 - Adding items for certain acquisition date amounts associated with held-for-investment loans and leases acquired during the current year by banks that have engaged in business combinations, and
 - Revising several report schedules for financial reporting changes applicable to noncontrolling (minority) interests in consolidated subsidiaries;
- Adding a new annual item on the bank's fiscal year-end date;
- Exempting banks with less than \$1 billion in total assets from reporting certain existing Call Report items;
- Clarifying the definition of the term "loan secured by real estate;"
- Adding instructional guidance on quantifying misstatements in the Call Report; and

- Eliminating confidential treatment for data collected from trust institutions on fiduciary income, expenses, and losses.

For June 30, 2009, new or revised items for:

- Real estate construction and development loans with capitalized interest (for banks with construction and development loan concentrations);
- Holdings of commercial mortgage-backed securities and structured financial products, such as collateralized debt obligations;
- Fair value measurements for assets and liabilities reported at fair value on a recurring basis (for banks that have \$500 million or more in total assets, apply a fair value option, or are required to complete the Call Report trading schedule);
- Pledged loans and pledged trading assets;
- Collateral and counterparties associated with over-the-counter derivative exposures (for banks with \$10 billion or more in total assets);
- Credit derivatives;
- Remaining maturities of unsecured other borrowings and subordinated notes and debentures;
- Unused short-term commitments to asset-backed commercial paper conduits;
- Investments in real estate ventures;
- Held-to-maturity and available-for-sale securities in domestic offices (for banks that have both domestic and foreign offices); and
- Whether the bank is a trustee or custodian for certain types of accounts or provides certain services in connection with orders for securities transactions.

For December 31, 2009, revising Schedule RC-T, Fiduciary and Related Services, by:

- Breaking out foundations and endowments as well as investment advisory agency accounts as separate types of fiduciary accounts in the schedule's sections for reporting fiduciary and related assets and income;
- Adding items for Individual Retirement Accounts and similar accounts included in fiduciary and related assets;
- Expanding the breakdown of managed assets by type of asset to cover all types of fiduciary accounts;
- Adding new asset types in the breakdown of managed assets by type of asset;
- Revising the manner in which discretionary investments in common trust funds and collective investment funds are reported in the breakdown of managed assets by type of asset;
- Adding items for the market value of discretionary investments in proprietary mutual funds and the number of managed accounts holding such investments;
- Adding items for the number and principal amount outstanding of debt issues in substantive default for which the institution serves as indenture trustee; and
- Clarifying certain instructions.

JUSTIFICATION

1. Circumstances and Need

Section 7 of the Federal Deposit Insurance Act requires all insured banks to file four Consolidated Reports of Condition and Income each year with their primary federal bank supervisory authority, either the FDIC, the OCC, or the FRB. Insured state nonmember banks submit these reports to the FDIC. The FDIC uses the quarterly Call Reports to monitor the condition and performance of individual banks and the industry as a whole. In addition, Call Reports provide the FDIC with the most current statistical data available for evaluating bank corporate applications such as mergers; identifying areas of focus for both on-site and off-site examinations; calculating all banks' deposit insurance, Financing Corporation, and Transaction Account Guarantee Program assessments; and other public purposes.

Within the Call Report information collection system, separate sets of forms apply to banks that have domestic and foreign offices (FFIEC 031) and to banks with domestic offices only (FFIEC 041).

The amount of data required to be reported varies between the two versions of the report forms, with the report forms for banks with domestic and foreign offices (FFIEC 031) having more data items than the report forms for banks with domestic offices only (FFIEC 041). Furthermore, the amount of data required to be reported varies within the FFIEC 041 report form, primarily based on the size of the bank, but also in some cases based on activity levels. In general, the FFIEC 041 report form requires the least amount of data from banks with less than \$100 million in total assets.

The reasons for the changes that are the subject of this submission are described in detail in the agencies' initial and final Paperwork Reduction Act Federal Register notices.

2. Use of Information Collected

The information collected in the Call Reports is used by the FDIC and the other federal bank regulatory agencies both on an individual bank basis and in aggregate form for supervisory, surveillance, regulatory, research, statistical, insurance assessment, and informational purposes. Call Report data for all banks, not just the banks under its primary supervision, are available to each of the three banking agencies in order for each agency to have access to information for the banking system as a whole.

The FDIC uses the data collected in the Call Reports extensively for supervisory and surveillance purposes in an effort to detect at an early date those banks that are experiencing deterioration or some other significant change in their condition. The underlying basis for this activity at the FDIC, as well as at the OCC and the FRB, is the goal of maintaining a safe and sound banking system and reducing the possibility of the failure of individual institutions and the concomitant exposure of the FDIC's insurance fund. The FDIC has two major surveillance

programs (EWS and UBPR) for its use in performing off-site evaluation of the condition of commercial and savings banks. In addition, various quarterly management and supervisory reports used for off-site monitoring capabilities are available in web-based systems like ViSION (Virtual Supervisory Information on the Net) and distributed systems like ARIS (Automated Regional Information System).

Early Warning Systems (EWS) – The EWS is the FDIC’s umbrella of off-site surveillance models that are used to monitor the condition of insured institutions between regular bank examinations. Data collected from each bank’s Call Report are subjected to a screening process in the EWS known as SCOR (Statistical CAMELS Off-site Rating). SCOR is an off-site model for insured institutions that compares an institution’s financial condition against examination ratings for comparable financial institutions. SCOR derives a rating for each component of the Uniform Financial Institutions Rating System (UFIRS). The composite and component ratings are then compared to those given at the last examination and a downgrade probability is derived for each institution. Those institutions whose downgrade probability exceeds a specified level are subject to supervisory follow-up procedures including the prompt scheduling of examinations or visitations. The FDIC also has developed two off-site rating tools called GMS (Growth Monitoring System) and REST (Real Estate Stress Test) in order to effectively and efficiently monitor risk to the banking and thrift system. GMS identifies institutions that may pose greater risks due to rapid growth and/or funding issues. GMS places institutions into percentile rankings based on GMS scores. Those with the highest GMS scores are subject to formal off-site review requirements similar to SCOR. REST identifies institutions with high concentrations of commercial real estate and other exposures similar to the exposure characteristics of problem banks and institutions that failed during the New England crisis of the late 1980s and early 1990s.

Another part of the EWS includes the Uniform Bank Performance System (UBPS). The UBPS is an on-line support subsystem that calculates for each commercial and savings bank approximately 300 financial ratios and accompanying peer group and ranking data and presents this information in a manner consistent with the Uniform Bank Performance Report, which is discussed below. The UBPS covers the most recent and preceding 15 quarters.

Uniform Bank Performance Report (UBPR) – This report is prepared quarterly for each insured commercial and savings bank from Call Report data and presents information for five periods on a bank’s performance and financial statement composition in the form of ratios, percentages, and dollar amounts. Each UBPR also includes corresponding average data for the bank’s peer group and percentile rankings for most ratios. The comparative and trend data contained in these reports complement the EMS data and are utilized for further off-premises review of individual banks, particularly at the field office level. Based on an analysis of the information in the UBPR, an examiner can set the priorities for the examination of a bank. The condition of a bank can then be evaluated during the examination in light of its recent trends and the examiner’s findings can be communicated to the bank’s management. Management can verify this trend data in the copies of its own bank’s UBPRs. UBPRs are available on-line on the Internet for access by banks, regulators, and the public.

ViSION and ARIS – ViSION is a secure web-enabled system that was developed as a comprehensive and easy-to-use reporting source for the FDIC’s supervisory and financial data. The system provides FDIC users with multiple reports that display information for a specific institution or set of institutions. ViSION provides users the ability to retrieve various supervisory and off-site reports. These various management reports are used to assist in off-site monitoring efforts and are reviewed at the regional or field office level on a regular basis. ARIS is a localized database and reporting system that includes many levels of drill-down management and supervisory reporting. ARIS reporting will eventually be phased into the ViSION system.

Through the use of monitoring and surveillance systems that rely on Call Report information, the FDIC is able to more effectively and efficiently allocate resources to those institutions experiencing difficulties. Also, FDIC policy requires examiners to use information from Call Reports as well as data available from monitoring and surveillance systems to assist in their pre-examination planning activities. Through pre-examination planning, examiners can determine the areas of a bank’s operations and activities on which to focus their attention during their time on-site at the bank. Moreover, effective pre-examination planning can help to limit the amount of time examiners need to spend on-site during an examination. These efforts would not be feasible if the Call Reports, with their present emphasis on the collection of data for supervisory and surveillance purposes, were not available on a quarterly basis.

The Call Reports also provide the most current statistical data available for evaluating statutory factors relating to the FDIC’s consideration of bank applications for deposit insurance and for consent to merge, establish a branch, relocate an office, and retire capital. The FDIC’s deposit insurance, Financing Corporation, and Transaction Account Guarantee Program assessments are based on deposit information and related data reported in the Reports of Condition. Moreover, the amount of each individual bank’s assessments is calculated directly by the FDIC from the deposit information and related data reported on the institution’s Call Report. In addition, under the FDIC’s risk-related insurance assessment system, Call Report data are used to help determine the risk category to which each insured institution should be assigned. The FDIC’s Division of Insurance and Research uses data collected in the Call Reports to prepare quarterly reports on the condition and performance of the banking system and for numerous economic studies and analyses of trends in banking that are incorporated into reports submitted to Congress and made available to the public.

3. Use of Technology to Reduce Burden

All banks are subject to an electronic filing requirement for Call Reports. In this regard, the agencies have created a secure shared database for collecting, managing, validating and distributing Call Report data. This database system, the Central Data Repository (CDR), was implemented on September 30, 2005, for the third quarter 2005 Call Report filing period and is the only method now available for banks to submit their Call Reports. Under the CDR system, banks file their Call Report data via the Internet using software that contains the FFIEC’s edits for validating Call Report data before submission.

4. Efforts to Identify Duplication

There is no other report or series of reports that collects from all commercial and savings banks the information gathered through the Reports of Condition and Income taken as a whole. There are other information collection systems which tend to duplicate certain parts of the Call Reports; however, the information they provide would be of limited value as a replacement for the Call Report.

For example, the FRB collects various reports in connection with its measurement of monetary aggregates, of bank credit, and of flow of funds. Reporting banks supply the FRB with detailed information relating to such balance sheet accounts as balances due from depository institutions, loans, and deposit liabilities. The FRB also collects financial data from bank holding companies on a regular basis. Such data is presented for the holding company on a consolidated basis, including its banking and nonbanking subsidiaries, and on a parent company only basis.

However, FRB reports from banks are frequently obtained on a sample basis rather than from all insured banks. Moreover, these reports are often prepared as of dates other than the last business day of each quarter, which would seriously limit their comparability to the Call Report. Institutions below a certain size are exempt entirely from some FRB reporting requirements. FRB data collected from bank holding companies on a consolidated basis reflect an aggregate amount for all subsidiaries within the organization, both banking and nonbanking, so that the actual dollar amounts applicable to any bank subsidiary are not determinable from the holding company reports. Hence, FRB reports could not be a viable replacement for even a significant portion of the Call Reports since the FDIC, in its role as supervisor of insured state nonmember banks, would be lacking the data necessary to assess the financial condition of individual insured banks to determine whether there had been any deterioration in their condition.

As another example, banks with 500 or more shareholders are required by the Securities Exchange Act of 1934, as amended, to register their stock with their primary federal bank regulatory agency. Following the effective date of the stock registration, quarterly and annual reports, which contain financial statements, must be filed with the appropriate regulatory agency. Of the approximately 5,100 FDIC-supervised banks, about 50 have stock that is registered with the FDIC pursuant to the Securities Exchange Act. For this small number of registered state nonmember banks, quarterly and annual reports generally need not be filed until as many as 45 days and 90 days after the report date, respectively, while Call Reports generally must be received no later than 30 days after the report date. Moreover, the Call Reports have a fixed format to permit industry data aggregation by computer and automated monitoring of each individual institution's performance and condition. The financial statement format for registered banks is comparable to that of the Call Report, but each bank has the flexibility to expand or contract the level of detail on individual items as circumstances warrant. Such free-form reporting would make it extremely difficult for the FDIC to substitute the registered bank quarterly and annual reports for Call Reports.

Finally, some of the information contained in the Call Report is also developed by FDIC examiners during regular safety and soundness examinations of insured banks. In addition, examiners check the Reports of Condition and Income the bank has submitted to the FDIC

between examinations to ensure that the required data have been properly reported. However, using the examination process to develop quarterly Call Report data would be unworkable since one of the principal purposes of the supervisory and surveillance emphasis on the use of these data is for off-site monitoring of individual bank condition between examinations. Furthermore, examinations are conducted as of various dates throughout the year and at differing time intervals for different institutions. Thus, the examination process could not supply the banking agencies with financial data on a timely basis for all insured banks as of fixed dates each year.

5. Minimizing the Burden on Small Banks

Pursuant to regulations issued by the Small Business Administration (13 CFR 121.201), a “small entity” includes bank with assets of \$165 million or less. There are approximately 5,100 insured state nonmember banks that file Call Reports. Of this number, about 3,100 have total assets of \$165 million or less. As stated in Item 1 of this supporting statement, the Call Report requires the least amount of data from banks with less than \$100 million in total assets. The next least amount of data is collected from banks with \$100 million to \$300 million in total assets.

With respect to this submission, the agencies sought to establish reporting thresholds for proposed new items where possible. Other proposed new items will be relevant to only a small percentage of banks. In this regard, banks with less than \$1 billion in total assets will be exempted from reporting certain existing items. The proposed revised schedule on fair value measurements will be completed by banks with \$500 million or more in total assets and by those smaller banks that either (a) elect to apply a fair value option to financial instruments or servicing assets and liabilities or (b) have a specified volume of trading assets. Fewer than 50 of the 4,400 FDIC-supervised banks with less than \$500 million in total assets meet either of these two criteria. The new items in which banks will report the types of collateral and counterparties associated with their over-the-counter derivative exposures are applicable only to banks with \$10 billion or more in total assets. The agencies are also proposing to increase the data collected on the trading account schedule, but this schedule is not applicable to banks with less than \$100 million in total assets. The new items for held-for-investment loans and leases acquired in business combinations will be collected only from those banks that have engaged in mergers or push down accounting transactions, which is expected to affect a limited percentage of small FDIC-supervised banks. The proposed new and revised items for credit derivatives will not affect small banks because only about 50 large institutions hold credit derivatives. Because institutions that exercise fiduciary powers, have total fiduciary assets of \$100 million or less, and have gross fiduciary and related services income less than 10 percent of revenue are exempt from reporting their fiduciary and related services income, the revisions to the fiduciary income portion of the fiduciary and related services schedule generally will not affect small banks.

6. Consequences of Less Frequent Collection

Less frequent collection of Call Reports would reduce the FDIC’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. Such

identification cannot be accomplished through periodic bank examinations alone. To allocate its examination resources in the most efficient manner, off-site analysis of Call Report data to single out banks in need of on-site follow-up must be performed (see Section 2 above). Submission of the Reports of Condition and Income less frequently than quarterly would permit deteriorating conditions at banks to fester considerably longer before they would be detected through the FDIC's computer-based monitoring systems, through the fortunate scheduling of an examination, or by other means. Such banks would therefore run a greater risk of failure because of delays in effecting corrective action, either on the bank management's own initiative or at the behest of the FDIC.

7. Special Circumstances

There are no special circumstances.

8. Summary of Public Comments

On September 23, 2008, the agencies requested comment on proposed revisions to the Call Report that would be implemented on a phased-in basis during 2009.¹ A limited group of changes were proposed to take effect March 31, 2009; most revisions were proposed to take effect June 30, 2009; and a final group of revisions applicable only to trust institutions that complete the Call Report's Fiduciary and Related Services schedule were proposed to take effect December 31, 2009. The reporting changes included in the agencies' proposal that are the subject of this submission are summarized in the Introduction section of this Supporting Statement. In addition, the agencies also requested comment on a proposed clarification of the instructions for reporting unused commitments, proposed new and revised items for reporting on past due and nonaccrual trading assets, and proposed new items for reporting the present value of unpaid premiums on credit derivatives that represent sold credit protection.

The agencies collectively received comments from seven respondents: two banks, one bank holding company, three bankers' organizations, and a bank insurance consultant. None of these commenters specifically addressed all of the aspects of the proposal. Rather, individual respondents commented upon one or more of the proposed Call Report changes. In two cases, commenters brought up reporting matters that were not addressed in the agencies' proposal.

With respect to general comments about the proposal, one bankers' organization stated that it believed that the proposed revisions would provide additional information that would be useful to the agencies' assessment of risk. This organization expressed general agreement, on balance,

¹ It should be noted that the FDIC and the other banking agencies are currently requesting comment under OMB's normal clearance procedures on the proposed addition of two items to Call Report Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, to support the FDIC's Transaction Account Guarantee Program. On November 26, 2008, OMB approved the agencies' emergency clearance requests to add these two items to the Call Report effective December 31, 2008. Because OMB's approval of the agencies' emergency clearance request expires on May 31, 2009, the agencies published an initial Paperwork Reduction Act Federal Register notice on December 23, 2008, concerning this change to Schedule RC-O. The comment period for this separate proposal closes on February 23, 2009. See 73 FR 78794.

with the proposed revisions, but also offered several suggested changes for the agencies' consideration. Another bankers' organization indicated its understanding of the agencies' need for more information on certain types of loans currently under stress, but noted that the proposed revisions would require many community banks to submit significantly more data in the Call Report. This organization hoped that the increased staff time that would be needed to provide the proposed Call Report data would be offset by a reduction in on-site examination time through examiners' use of these data to better focus their examination priorities. In this regard, the agencies' intent in proposing the revisions to the Call Report was to enhance their risk-focused supervision, both from an off-site and an on-site perspective. The third bankers' organization commented on the amount of lead time necessary for institutions to implement systems changes to enable them to provide the requested additional data, recommending a minimum of three months between the agencies' publication of final revisions in the Federal Register and the effective date of the reporting changes.

Two commenters submitted comments on reporting issues that were not addressed in the agencies' Call Report proposal. One bank holding company sent a copy of separate correspondence that it had previously sent to three organizations suggesting a suspension of the accounting rules for other-than-temporary impairments on investment securities. By law, the accounting principles applicable to the Call Report must be consistent with or, if certain conditions are met, no less stringent than generally accepted accounting principles.² Therefore, the suggested suspension of accounting rules cannot be implemented for Call Report purposes. One bankers' organization recommended that the Call Report be revised to require "reciprocal deposits" to be reported separately from brokered deposits. This bankers' organization also commented on the reporting of certain sweep accounts from other institutions, including affiliated institutions, in the Call Report. The impetus for the bankers' organization's comments about the reporting of these two types of deposits was a Notice of Proposed Rulemaking (NPR) on which the FDIC was simultaneously requesting comment concerning amendments to its deposit insurance assessment regulations (12 CFR part 327).³ In the NPR, the FDIC proposed to alter the way in which it differentiates for risk in the risk-based assessment system; revise deposit insurance assessment rates, including base assessment rates; and make technical and other changes to the rules governing the risk-based assessment system. In its comment letter to the agencies on the proposed Call Report revisions, the bankers' organization observed that the Call Report may need to be revised depending on the FDIC's decisions on the treatment of these accounts for deposit insurance assessment purposes. Accordingly, the FFIEC and the agencies will monitor the outcome of the FDIC's rulemaking for assessments and the need for new Call Report data items for reciprocal deposits and certain sweep accounts to support any modifications that the FDIC makes in its risk-based assessment system in a final rule. In this regard, as proposed by the FDIC, these modifications would take effect April 1, 2009, which means that any new reporting requirements to provide data for the FDIC's risk-based assessment system would need to be in place June 30, 2009.

² See 12 U.S.C. 1831n(a).

³ 73 FR 61560, October 16, 2008.

After considering the comments received on the proposal, the agencies decided, subject to OMB approval, to move forward with most of the reporting changes, with limited modifications in response to certain comments, on the phased-in basis that had been proposed. The agencies are continuing to evaluate the proposed revisions for unused commitments, past due and nonaccrual trading assets, and unpaid premiums on sold credit protection in light of the comments received on them and will not implement these revisions on their proposed effective dates.

The agencies recognize institutions' need for lead time to prepare for reporting changes, which led them to propose the phased-in implementation schedule for 2009. The Call Report items that will be new or revised effective March 31, 2009, are limited in number and all but one are linked to changes in generally accepted accounting principles taking effect at the same time. As is customary, for the March 31, 2009, report date, banks may provide reasonable estimates for any new or revised Call Report item initially required to be reported as of that date for which the requested information is not readily available. This same policy on the use of reasonable estimates will apply to the reporting of other new or revised items when they are first implemented effective June 30 and December 31, 2009. The longstanding Call Report policy is intended to assist banks in their preparation for new and revised reporting requirements.

For a more detailed discussion of the changes proposed on September 23, 2008, the comments received, and the agencies' responses, please refer to the "Current Actions" section (which starts on page 8) of the final Paperwork Reduction Act Federal Register notice for this submission.

9. Payment or Gift to Respondents

No payment or gift will be provided to respondents.

10. Confidentiality

At present, the data items collected from individual banks in the Call Report are publicly available with the exception of data collected in Schedule RC-T, Fiduciary and Related Services, on fiduciary and related services income (items 12 through 23, except item 19) and fiduciary settlements, surcharges, and losses (Memorandum item 4). In their September 23, 2008, proposal, the agencies proposed to eliminate the confidential treatment currently accorded to these data items. After carefully considering the comments received from one bankers' organization on the public availability of these fiduciary income, expense, and loss data items, the agencies decided, subject to OMB approval, to adopt their proposal to eliminate the confidential treatment of such data beginning with the data reported as of March 31, 2009. For a more detailed discussion of this aspect of the agencies' proposal and their consideration of the comments received, please refer to Section II.F. (which starts on page 24) of the final Paperwork Reduction Act Federal Register notice for this submission.

Contact information for bank personnel that is provided in banks' Call Report submissions is not available to the public.

11. Information of a Sensitive Nature

The Call Report contains no questions of a sensitive nature.

12. Estimate of Annual Burden

It is estimated that, on average, it will take an FDIC-supervised bank approximately 37.36 hours each quarter to prepare its Call Report as it is proposed to be revised in this submission. There are currently 5,110 FDIC-supervised banks. The estimated annual reporting burden for these FDIC-supervised banks is 763,638 hours. This annual reporting burden has been estimated by considering the varying numbers of items potentially reportable by banks of different sizes and with foreign offices and the extent to which such banks will actually have amounts to report in these items as a result of the activities and transactions in which they are engaged. Then, based on the agency staff's understanding of banks' recordkeeping and reporting systems and their customary and usual business practices, professional judgment has been applied to arrive at a burden estimate for the Call Report.

For FDIC-insured commercial banks, salaries and employee benefits per full-time equivalent employee currently average about \$36.50 per hour. Thus, the annual recurring salary and employee benefit cost to state nonmember banks for the Call Report burden hours shown above is estimated to be \$27.9 million. This cost is based on the application of the \$36.50 average hourly rate to the estimated total hours of annual reporting burden of 763,638.

13. Estimate of Total Annual Cost Burden

Banks maintain extensive internal recordkeeping systems from which financial statements and tax returns are prepared and other reports are generated so that bank management can keep informed about the bank's condition and performance and have the data necessary to operate their bank in a safe and sound manner. These records also serve as a source for the data submitted in the Call Reports, although banks generally maintain some records solely to enable them to complete these reports. Computerized banks commonly have software and programs that compile data that need to be reported in the Call Report. Bank records may be generated and processed internally, externally by an outside servicer, or by a combination of both methods. In addition, virtually all banks now use software to assist in the actual preparation of the Call Report. The total operation and maintenance and purchase of services component of the total annual cost burden to state nonmember banks (excluding costs included in Item 12 above) is estimated to be \$19.9 million. This cost is based on the application of an average hourly rate of \$26.00 to the estimated total hours of annual reporting burden of 763,638. This estimate reflects recurring expenses (not included in Item 12 above) incurred by banks in the Call Report preparation and filing process, including 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, the agencies are proposing to implement the changes on a phased-in basis during 2009, with most of the revisions not taking effect until June and December 2009. Except for the proposed new item for the reporting bank's fiscal year-end date, which is readily available information, the other new and revised items proposed to take effect as of the March 31, 2009, report date⁴ represent changes being made to the Call Report in response to the requirements of new accounting standards that take effect in the first quarter of 2009. The new and revised items for March 2009 that result from accounting changes will apply to only a small percentage of banks.

By adopting a phased-in approach to implementing the proposed reporting revisions that are the subject of this submission, the agencies have sought to mitigate the capital and start-up costs that banks will incur in preparing for these revisions. Capital and start-up costs will vary from bank to bank depending upon a bank's individual circumstances, including whether it engages in the types of activities, products, and transactions covered by the proposed revisions. Thus, an estimate of this cost component cannot be determined at this time.

14. Estimate of Total Annual Cost to the Federal Government

The current annual cost to the FDIC of the Call Report information collection system is estimated to be not more than \$8.2 million. This amount includes the cost of:

- developing reporting requirements, instructions, and data validation edits;
- computer processing and hosting, including maintaining and modifying software programs, associated with the CDR system for collecting and validating Call Reports; and
- FDIC personnel involved in the preceding tasks and in the review and validation of reported data.

The cost to implement the Call Report revisions that are the subject of this submission are encompassed within this annual cost and are not separately identifiable.

15. Reason for Change in Burden

The change in burden associated with this submission is caused by two factors: (a) a net decrease in the number of reporting institutions supervised by the FDIC, and (b) the changes to the Call Reports that are the subject of this submission.

Currently, there are 5,110 FDIC-supervised banks submitting quarterly Call Reports. This number is 20 less than previously reported (5,130 previously versus 5,110 now). The other proposed revisions include the reporting of new or revised data items, but many of these revisions will generally affect a limited number of banks on an ongoing basis. Thus, the FDIC

⁴ New data items pertaining to certain acquisition date amounts associated with held-for-investment loans and leases acquired during the current year by banks that have engaged in business combinations and revisions to several report schedules for financial reporting changes applicable to noncontrolling (minority) interests in consolidated subsidiaries.

estimates that the overall effect of the proposed reporting revisions across the range of banks under its supervision would be an average increase of approximately three quarters of an hour per response. The analysis of the change in burden is as follows:

Currently approved burden	751,853 hours
Revisions to content of report (program change)	+14,716 hours
<u>Adjustment (change in use)</u>	<u>-2,931 hours</u>
Requested (new) burden:	763,638 hours
Net change in burden:	+11,785 hours

The impact of the reporting changes covered by this submission will vary from bank to bank depending upon a bank's individual circumstances and the extent of its involvement, if any, with the particular type of activity, product, or transaction that is the subject of a proposed reporting revision.

16. Publication

The information collected in Call Reports from FDIC-supervised banks is primarily intended to meet the FDIC's internal needs (see Item 2 above). However, except for fiduciary income, expense, and loss data that to date has been afforded confidential treatment (which the agencies have proposed to eliminate; see Item 10 above) and contact information for bank personnel, the FDIC makes individual banks' entire Call Reports available to the public on the Internet. These data can be accessed on the FFIEC CDR Public Data Distribution Web site (<https://cdr.ffiec.gov/public/>).

Summary statistical data that provide a financial profile of each individual FDIC-insured bank also are available to the public on the Internet. For banks, the financial information is taken from the Call Report and includes balance sheet, income statement, and other key data for several periods. Regulatory capital ratios and profitability ratios such as return on assets and return on equity also are provided. In addition, interested persons can purchase a computer tape containing the quarterly Call Report information for all banks from the National Technical Information Service of the U.S. Department of Commerce.

Call Report data also form the basis for certain quarterly FDIC publications, including the Quarterly Banking Profile and Statistics on Banking, which present a variety of statistical data on the banking industry. These publications are available on the Internet.

The Uniform Bank Performance Report (UBPR), which is computer-generated using Call Report data as its primary input (see Item 2 above), is also publicly available for individual banks on the FFIEC's Web site (at www.ffiec.gov).

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.

Attachments:

1. Initial Paperwork Reduction Act Federal Register Notice (September 23, 2008)
2. Final Paperwork Reduction Act Federal Register Notice (January 28, 2009)
3. Legal Authority (12 U.S.C. 1817(a))