

## SUPPORTING STATEMENT

Federal Deposit Insurance Corporation  
Consolidated Reports of Condition and Income (Call Report)  
FFIEC 031 and 041 (OMB No. 3064-0052)

The Federal Deposit Insurance Corporation (FDIC), in coordination with the Board of Governors of the Federal Reserve System (Board), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) (collectively, the “agencies”), received approval from the Office of Management and Budget (OMB) on November 26, 2008, for revisions to the currently approved collection of information identified above pursuant to the Paperwork Reduction Act emergency processing procedures at 5 CFR § 1320.13. These revisions arose from rules approved by the FDIC Board of Directors in October and November 2008 to implement the FDIC’s Temporary Liquidity Guarantee (TLG) Program. They involve reporting requirements applicable to insured depository institutions participating in the Transaction Account Guarantee Program component of the TLG Program.

OMB’s approval of the agencies’ emergency clearance requests authorized the agencies to begin collecting the amount and number of noninterest-bearing transaction accounts of more than \$250,000 in the Call Report, the Thrift Financial Report (TFR), and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) beginning December 31, 2008. The reported information enables the FDIC to determine assessment fees on certain noninterest-bearing transaction accounts for participating institutions. Since receiving emergency clearance from OMB, the agencies have taken the steps necessary to request approval to collect these two items until the end of the Transaction Account Guarantee Program under OMB’s normal clearance procedures in accordance with the provisions of 5 C.F.R. § 1320.10.

In addition, in response to the agencies’ requests for comment on proposed revisions to the Call Report and the TFR for implementation during 2009, a bankers’ organization recommended the collection of certain additional deposit data related to deposit insurance assessments that the agencies had not proposed. More specifically, the bankers’ organization recommended that the Call Report and the TFR be revised to require the reporting of “reciprocal deposits,” noting further that these reports may need to be revised to collect this information depending on the outcome of the proposed rulemaking on deposit insurance assessments that the FDC had issued for public comment. Accordingly, when taking final action on the proposed revisions to the Call Report and the TFR for 2009, the agencies stated that they would monitor the outcome of the FDIC’s rulemaking for assessments. Because the FDIC’s final rule on assessments, which was adopted on February 27, 2009, now contains specific provisions pertaining to reciprocal deposits, the agencies are also requesting approval to add an item for reciprocal deposits to the Call Report and the TFR. This new item is needed to support the FDIC’s calculation of a new financial ratio that has been incorporated into the financial ratios method used for risk category assignments for institutions under the FDIC’s risk-based deposit insurance assessment system.

## A. JUSTIFICATION

### 1. Circumstances and Need

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 Federal Reserve Board, 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.

To facilitate the FDIC's administration of the TLG Program, the FDIC Board approved an interim rule on October 23, 2008,<sup>1</sup> and (after a 15-day comment period that ended on November 13, 2008) a final rule on November 21, 2008.<sup>2</sup> The TLG Program comprises (1) a Debt Guarantee Program under which, in general, the FDIC will guarantee certain newly-issued senior unsecured debt issued by participating entities on or after October 14, 2008, through and including June 30, 2009, up to a specified limit; and (2) a Transaction Account Guarantee Program under which the FDIC will provide a 100 percent guarantee of certain noninterest-bearing transaction accounts held by participating insured depository institutions through December 31, 2009. The TLG Program includes a system of fees to be paid by participating entities for such guarantees beginning November 13, 2008.

In order for the FDIC to calculate the fees to be assessed under the Transaction Account Guarantee Program, the FDIC needs to collect information from participating insured depository institutions on the amount and number of noninterest-bearing transaction accounts, as defined in the final rule, of more than \$250,000. Given the nature of these data items, the best method for obtaining this information from participating institutions is through the Call Report, the TFR, and the FFIEC 002, which are the reports currently used to collect data from insured institutions that are needed by the FDIC to calculate institutions' regular quarterly deposit insurance assessments. On November 26, 2008, OMB approved the agencies' emergency clearance requests to begin collecting the new data items on noninterest-bearing transaction accounts beginning December 31, 2008. However, OMB's approval of the agencies' emergency clearance request expires on May 31, 2009. The agencies are now requesting approval under OMB's normal clearance procedures to collect these data items from participating institutions each quarter until the Transaction Account Guarantee Program ends. In addition, on September 23, 2008, the OCC, the Board, and the FDIC requested public comment for 60 days on proposed revisions to the Call Report for implementation on a phased-in

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

<sup>2</sup> 73 FR 72244, November 26, 2008.

basis during 2009.<sup>3</sup> On October 1, 2008, the OTS requested public comment for 60 days on proposed revisions to the TFR that would also take effect on a phased-in basis during 2009.<sup>4</sup> In response to these requests, the agencies received comments recommending the collection of certain additional deposit data related to deposit insurance assessments even though the agencies had not proposed to collect these additional data in their proposals. More specifically, one bankers' organization recommended that the Call Report and the TFR be revised to require "reciprocal deposits" to be reported separately from brokered deposits.

The impetus for the bankers' organization's comments about the reporting of these 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).<sup>5</sup> 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 letters to the agencies on the proposed Call Report and TFR revisions, the bankers' organization observed that the Call Report and the TFR may need to be revised depending on the FDIC's decisions on the treatment of reciprocal deposits for deposit insurance assessment purposes.

The agencies have monitored the outcome of the FDIC's rulemaking for assessments and the need for a new Call Report and TFR data item for reciprocal deposits to support any modifications that the FDIC makes in its risk-based assessment system in a final rule. In this regard, on February 27, 2009, the FDIC Board of Directors adopted a final rule that revised the FDIC's assessment regulations effective April 1, 2009. For institutions in Risk Category I of the risk-based assessment system, the final rule introduces a new financial ratio into the financial ratios method. This method determines the assessment rates for most institutions in Risk Category I using a combination of weighted Uniform Financial Institutions Rating System component ratings and certain financial ratios. The new ratio will capture brokered deposits (in excess of 10 percent of domestic deposits) that are used to fund rapid asset growth, but it will exclude brokered deposits that an institution receives through a deposit placement network on a reciprocal basis (reciprocal deposits).

To enable the FDIC to adjust banks' and savings associations' brokered deposits, which are already reported in the Call Report and the TFR, for any reciprocal deposits included therein, the agencies are proposing to add an item to the schedules in these two reports in which data are reported for assessment purposes (Schedules RC-O and DI, respectively). The definition of

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<sup>3</sup> 73 FR 54807, September 23, 2008.

<sup>4</sup> 73 FR 57205, October 1, 2008.

<sup>5</sup> 73 FR 61560, October 16, 2008.

reciprocal deposits in the FDIC's final rule<sup>6</sup> would be used for this new item, which would be collected in the Call Report and the TFR beginning June 30, 2009. The addition of this reciprocal deposits item to the Call Report and the TFR is responsive to the previously mentioned comments received from a bankers' organization when the agencies requested comments on proposed revisions to the Call Report and the TFR for implementation in 2009.

## 2. Use of Information Collected

Under the FDIC's final rule for the TLG Program, 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 regulatory reports (Call Report, TFR, or FFIEC 002). 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. Thus, two items would be added to the quarterly regulatory reports in which participating institutions would report the amount and number of noninterest-bearing transaction accounts, as defined, over \$250,000.

A participating institution may exclude noninterest-bearing transaction accounts with a balance of more than \$250,000 if the entire balance in the account is fully insured under the FDIC's deposit insurance rules, such as joint account relationship rules or "pass-through" insurance coverage rules. In noninterest-bearing transaction accounts with a balance of more than \$250,000 where the entire balance is not fully insured, an institution may exclude any amounts over \$250,000 that are otherwise insured under the FDIC's deposit insurance rules. These amounts may be excluded to the extent that they can be determined by the institution and fully supported in the institution's workpapers for this report. An institution is not required to make a determination of amounts otherwise insured but may do so at its option.

See Item 1 above for a discussion of how the new item for reciprocal deposits will be used in making risk category assignments for institutions under the FDIC's risk-based assessment system for deposit insurance as amended effective April 1, 2009.

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<sup>6</sup> The final rule defines "reciprocal deposits" as "[d]eposits that an insured depository institution receives through a deposit placement network on a reciprocal basis, such that: (1) for any deposit received, the institution (as agent for depositors) places the same amount with other insured depository institutions through the network; and (2) each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members."

### 3. Use of Technology to Reduce Burden

All banks and savings associations are subject to an electronic filing requirement for Call Reports and TFRs. Insured U.S. branches of foreign banks are permitted to submit the FFIEC 002 electronically. Institutions may use information technology to the extent feasible to maintain required records.

### 4. Efforts to Identify Duplication

The information to be collected on noninterest-bearing transaction accounts and reciprocal deposits is not duplicated in other information collections.

### 5. Minimizing the Burden on Small Entities

The information on noninterest-bearing transaction accounts over \$250,000 that is the subject of this request is the minimum necessary to administer the Transaction Account Guarantee Program. Small entities can choose to opt out of the Transaction Account Guarantee Program, which will eliminate reporting burden associated with this program. The proposed item for reciprocal deposits is also the minimum necessary to adjust brokered deposits for purposes of risk category assignment purposes under the FDIC's risk-based deposit insurance assessment system. Small entities can choose not to participate in a deposit placement network on a reciprocal basis, which will eliminate the burden of reporting the amount of reciprocal deposits.

### 6. Consequences of Less Frequent Collection

Submission of data on noninterest-bearing transaction accounts by insured depository institutions participating in the Transaction Account Guarantee Program less frequently than quarterly would reduce the FDIC's ability to timely monitor its exposure under this program and calculate and collect the quarterly assessments for the guaranteed deposits. Similarly, submission of the amount of an institution's reciprocal deposits less frequently than quarterly would prevent the FDIC from performing the quarterly risk category assignments that determine an institution's deposit insurance assessment rate for the quarter.

### 7. Special Circumstances

There are no special circumstances.

### 8. Consultation with Persons Outside the FDIC

Prior to the issuance of the interim rule for the TLG Program, the FDIC consulted with the 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. More specifically, with respect to the addition of two items to the Call Report, the TFR, and the FFIEC 002 in which institutions participating in the Transaction Account Guarantee Program would report the

amount and number of noninterest-bearing transaction accounts over \$250,000, on December 23, 2008, the agencies requested comment under OMB's normal clearance procedures on the proposed collection of these two items each quarter until the program ends.<sup>7</sup> The agencies received one comment letter on these proposed new items. This commenter, a bankers' organization, supported the addition of these new items to the Call Report, the TFR, and the FFIEC 002.

See Item 1 above for a discussion of the recommendation that the agencies received from a bankers' organization concerning the addition of an item to the Call Report and the TFR for reciprocal deposits. The bankers' organization submitted this unsolicited recommendation in response to the agencies' requests for comment on proposed revisions to the Call Report and the TFR that were published on September 23, 2008, and October 1, 2008, respectively.

The bankers' organization also provided an unsolicited comment on the reporting of certain sweep accounts from other institutions, including affiliated institutions, in the Call Report and the TFR. The organization suggested the possible addition to these reports of an item in which institutions would report these sweep accounts should it be needed for deposit insurance assessment purposes. In its final rule on assessments, the FDIC decided not to adjust brokered deposits for balances swept into an insured institution by a nondepository institution. Accordingly, the agencies are not revising the Call Report and the TFR to collect data on such sweep accounts.

#### 9. Payment or Gift to Respondents

No gifts will be given to respondents.

#### 10. Confidentiality

Information on the amount and number of noninterest-bearing transaction accounts over \$250,000 collected in Call Reports, TFRs, and FFIEC 002 reports from institutions participating in the Transaction Account Guarantee Program would be publicly available. Similarly, the amount of reciprocal deposits reported in Call Reports and TFRs would be publicly available.

#### 11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

#### 12. Estimate of Annual Burden

The burden estimate for the reporting of data on the amount and number of noninterest-bearing transaction accounts over \$250,000 under the Transaction Account Guarantee Program is based on an assumed 95 percent participation rate for the approximately 8,300 FDIC-insured depository institutions. (Actual participation based on the number of institutions that have opted out of the program is approximately 87 percent.) The estimated increase in burden from these items for FDIC-supervised institutions of 9,782 hours per year has been included in the existing

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<sup>7</sup> 73 FR 78794, December 23, 2008.

annual reporting burden shown below as a result of OMB's approval of these items under emergency clearance procedures.

The increase in burden from program changes shown below relates to the new item for reciprocal deposits, which will be applicable only to those institutions that report brokered deposits on their Call Reports and TFRs. Approximately 44 percent of FDIC-supervised banks hold brokered deposits. Because of the nature of reciprocal deposits, i.e., they are deposits that an insured depository institution receives through a deposit placement network on a reciprocal basis, information on the amount of such deposits should be readily available to institutions that receive them. Therefore, the proposed new item for reciprocal deposits is expected to produce a small increase in reporting burden.

It is estimated that, on average, it will take an FDIC-supervised bank approximately 37.43 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 765,069 hours.

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 765,069.

The effect of the changes on the estimated annual reporting burden associated with the FDIC's currently approved collection of information (the Call Report) is estimated as follows:

Existing annual reporting burden:	765,069 <sup>8</sup>
Increase in burden from changes (program change):	<u>1,431</u>
Revised estimate after changes:	765,069
(5,110 respondents x 37.43 average hours per response x 4 responses per year)	

### 13. Capital, Start-up, and Operating Costs

Insured depository institutions that will participate in the Transaction Account Guarantee Program maintain extensive internal recordkeeping systems concerning noninterest-bearing transaction accounts which generate data for these entities' managements' use in internal management reporting, risk management, and analysis and in external financial and regulatory reporting and disclosure. Participating institutions may need to modify certain elements of these internal recordkeeping systems to enable them to provide the information to be used by the FDIC concerning the amount and number of noninterest-bearing transaction accounts over \$250,000. Although the reporting changes to support the Transaction Account Guarantee Program will result in start-up and operating costs, an estimate of such costs cannot be readily determined.

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<sup>8</sup> Includes an increase in burden of 9,782 hours for the two items added to the Call Report for the Transaction Account Guarantee Program, which OMB approved under emergency clearance procedures on November 26, 2008.

Because reciprocal deposits are deposits that an insured depository institution receives through a deposit placement network on a reciprocal basis, information on the amount of such deposits should be readily available to recipient institutions from their existing internal reporting and recordkeeping systems. Therefore, capital, start-up, and operating costs for the proposed new item for reciprocal deposits should be nominal.

For the Call Report information collection as a whole, the total operation and maintenance and purchase of services component of the total annual cost burden to FDIC-supervised 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 765,069. 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.

#### 14. Estimates of Annualized Cost to the Federal Government

The cost to the agencies of the reporting changes that are the subject of this submission includes the cost of:

- developing reporting requirements, instructions, and data validation edits;
- computer processing (including developing, maintaining, and modifying software programs) associated with the agencies' systems for collecting and validating Call Reports, TFRs, and FFIEC 002 reports and the FDIC's systems for calculating and collecting assessments; and
- the agencies' personnel involved in the preceding tasks and in the review and validation of reported and calculated data.

The incremental costs associated with the implementation of the revisions to the currently approved collections of information that are the subject of this submission are encompassed within the agencies' personnel and data processing budgets and are not separately identifiable.

#### 15. Reason for Change in Burden

The reason for the changes in the burden imposed by the FDIC's currently approved Call Report information collection that are the subject of this submission is the FDIC's implementation of the Transaction Account Guarantee Program component of the TLG Program and the incorporation of a new financial ratio into the financial ratios method used for risk category assignments for institutions under the FDIC's risk-based deposit insurance assessment system. See Item 12 above for further information.

#### 16. Publication

Information on the amount and number of noninterest-bearing transaction accounts over \$250,000 collected from institutions participating in the Transaction Account Guarantee Program would be publicly available as part of the data collected in the Call Report, the TFR, and the



FFIEC 002 that are currently made available to the public. Similarly, the amount of reciprocal deposits reported in Call Reports and TFRs would be publicly available.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.