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 extend, with revision, the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031and 041; OMB No. 7100-0036). 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 requires information collected on the Call Reports to fulfill its statutory obligation to supervise state member banks. State member banks are required to file both detailed schedules of assets, liabilities, and capital accounts in the form of a condition report and summary statement as well as detailed schedules of operating income and expense, sources and disposition of income, and changes in equity capital.

The Federal Reserve proposes to add the number of noninterest-bearing transaction accounts over $250,000 and the amount of noninterest-bearing transaction accounts over $250,000 to the Call Report. 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. OMB approved an emergency clearance for these data items in November 2008, which expires May 31, 2009.

In addition, the Federal Reserve proposes to add a data item for reciprocal deposits. This revision arises from public comments received on a notice published on September 23, 2008 (73 FR 57205). A trade association recommended that this data item be collected for deposit insurance assessment purposes. The current annual burden for the Call Reports is estimated to be 186,976 hours; the proposed revisions are estimated to increase the annual burden to 187,257 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)]. In discharging this statutory responsibility, the Board of Governors, acting in concert with the other federal banking supervisory agencies since 1979 through the FFIEC, requires banks to submit on the quarterly Reports of Condition and Income such financial data as are needed by the Federal Reserve System to: (1) supervise and regulate banks through monitoring of their financial condition, ensuring the continued safety of the public's monies and the overall soundness of the nation's financial structure, and (2) contribute information needed for background for the proper discharge of the Board's monetary policy responsibilities. The use of the data is not limited to the federal government, but extends to state and local governments, the banking industry, securities analysts, and the academic community.

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. To facilitate the FDIC's administration of the TLG Program, the FDIC Board approved an interim rule on October 23, 2008,[1] and (after a 15-day comment period that ended on November 13, 2008) a final rule on November 21, 2008.[2] 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.

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 began November 13, 2008. The first quarterly assessment was determined from the deposit amounts reported in the quarterly regulatory reports for the December 31, 2008, report date.

Description of Information Collection

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

2 73 FR 72244, November 26, 2008.

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.

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). Prior to March 2001, there were four categories of banks and four reporting forms. The FFIEC 031 was filed by banks with domestic and foreign offices and the FFIEC 032, 033, and 034 were filed by banks with domestic offices only and were filed according to the asset size of the bank.

There is no other reporting form or series of reporting forms that collect 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 that 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 Reports. For example, the Federal Reserve collects various data in connection with its measurement of monetary aggregates, of bank credit, and of flow of funds. Reporting banks supply the Federal Reserve with detailed information relating to such balance sheet accounts as balances due from depository institutions, loans, and deposit liabilities. The Federal Reserve also collects financial data from bank holding companies on a regular basis. Such data are presented for the holding company on a consolidated basis, including its banking and nonbanking subsidiaries, and on a parent company only basis.

However, Federal Reserve reporting forms from banks are frequently obtained on a sample basis rather than from all insured banks. Moreover, these reporting forms are often prepared as of dates other than the last business day of each quarter, which would seriously limit their comparability. Institutions below a certain size are exempt entirely from some Federal Reserve reporting requirements. Data collected from bank holding companies on a consolidated basis reflect an aggregate amount for all subsidiaries within the organization, including banking and nonbanking subsidiaries, so that the actual dollar amounts applicable to any bank subsidiary are not determinable from the holding company reporting forms. Hence, these reporting forms could not be a viable replacement for even a significant portion of the Call Reports since the Federal Reserve, in its role as supervisor of insured state member 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.

Beginning March 1998, all banks were required to transmit their Call Report data electronically. Banks do not have to submit hard copy Call Reports to any federal bank supervisory agency unless specifically requested to do so.

Proposed Revisions

TLG Revisions

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. The Federal Reserve would continue to collect these items until the Transaction Account Guarantee Program ends.

Reciprocal Deposits

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 basis during 2009 (73 FR 54807). In response to this requests, the agencies received certain comments recommending the collection of 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 be revised to require "reciprocal deposits"[3] to be reported separately from brokered deposits.

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).[4] 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 may need to be revised depending on the FDIC's decisions on the treatment of these accounts for deposit insurance assessment purposes.

The FFIEC and the agencies have monitored 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

3 The organization also recommended that "reciprocal deposit" be defined as a deposit "obtained when an insured depository institution exchanges funds, dollar-for-dollar, with members of a network of other insured depository institutions, where each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members, and all funds placed through the network are fully insured by the FDIC."

4 73 FR 61560, October 16, 2008.

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' brokered deposits, which are already reported in the Call Report, for any reciprocal deposits included therein, the agencies would add an item to the schedule in which data are reported for assessment purposes (Schedule RC-O). The definition of reciprocal deposits in the FDIC's final rule[5] would be used for this new item, which would be collected in the Call Report beginning June 30, 2009. The addition of this reciprocal deposits item to the Call Report is responsive to the previously mentioned comments received from a bankers' organization when the agencies requested comments on proposed revisions to the Call Report in 2009.

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

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5 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."

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 and Discussion of Public Comments

The agencies published a notice for comment in the *Federal Register* on September 23, 2008, regarding several revisions for 2009 (73 FR 54807) and collectively received seven public comment letters. The comment period for this notice expired on November 24, 2008. On January 28, 2009, the agencies published a final notice in the *Federal Register* (74 FR 5028), addressing most of the comments received on the September 23, 2008, notice. However, a few items were deferred for later consideration. With respect to the deferred items, one bankers' organization recommended that the Call Report be revised to require reciprocal deposits to be reported separately from brokered deposits. The agencies also published a notice for comment in the *Federal Register* on December 23, 2008, regarding the TLG revisions (73 FR 78794) and collectively received one public comment letter from a bankers' organization in support of the new data items. The comment period for this notice expired on February 23, 2009. On April 2, 2009, the agencies published a final notice in the *Federal Register* (74 FR 14985) addressing the TLG revisions and the reciprocal deposits changes.

Estimate of Respondent Burden

The Federal Reserve estimates that the proposed revisions would increase the estimated annual burden by 281 hours. This proposal would add two new data items to the Call Reports for the TLG revisions, which would produce an average increase in reporting burden for banks of all sizes of 33 minutes per response. However, this increase in burden has already been incorporated based on the November 2008 emergency clearance submission. This proposal would also add one new data item for reciprocal deposits to the Call Reports, which would produce an average increase in reporting burden of 10 minutes per response for banks to which this item is applicable. This change has not yet been incorporated and is reflected in the increase of 281 hours shown below. The Federal Reserve estimates the total proposed annual reporting burden for state member banks to be 187,257 hours, as shown below. This burden represents about 4 percent of the total Federal Reserve paperwork burden.

	Number of respondents	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current	877	4	53.30	186,976
Proposed	877	4	53.38	187,257
Change				281

The total cost to state member banks is estimated to be $11,123,066 annually.[6] 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 $1,207,856 per year. With the revisions the estimated costs will increase by less than 1 percent to $1,215,556 per year. The one-time costs to implement the revised reports are estimated to be $49,700. 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.

6 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.