SUPPORTING STATEMENT

Federal Deposit Insurance Corporation
Consolidated Reports of Condition and Income (Call Report)

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

Introduction

The Federal Deposit Insurance Corporation (FDIC) is submitting for OMB review a change to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Report) filed quarterly by insured state nonmember banks. The reporting change is limited to a modification of the basis upon which an institution participating in the FDIC's Transaction Account Guarantee (TAG) Program would report the data that the FDIC will begin to use to calculate the institution's assessment under this program pursuant to an interim rule adopted by the FDIC in April 2010 (and affirmed by the FDIC's final rule adopted in June 2010). More specifically, to implement the assessment calculation provisions of the FDIC's interim rule and final rule, a participating institution would begin to report average daily balances for its TAG program-related accounts beginning September 30, 2010, rather than the quarter-end balances that it currently reports. The Federal Reserve Board (Board) and the Office of the Comptroller of the Currency (OCC) are also submitting these changes to the Call Report for OMB review for the banks under their supervision. In addition, the Office of Thrift Supervision (OTS) and the Board are submitting for OMB review the same changes to the Thrift Financial Report (TFR) for savings associations and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002)[1] for insured U.S. branches, respectively.[2]

A. JUSTIFICATION

1. Circumstances and Need

In October 2008, the FDIC Board of Directors adopted the Temporary Liquidity Guarantee Program (TLGP) following a determination of systemic risk by the Secretary of the Treasury (after consultation with the President) that was supported by recommendations from the FDIC and the Board. The TLGP is part of an ongoing and coordinated effort by the FDIC, the U.S. Department of the Treasury, and the Board to address unprecedented disruptions in the financial markets and preserve confidence in the American economy. This action was taken pursuant to Section 141 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), Pub. L. No. 102-242 (Dec. 19, 1991), which added Section 13(c)(4)(G) to the Federal Deposit Insurance Act (FDI Act) (12 USC 1823(c)(4)(G)).

[1] The Board's information collection for the FFIEC 002 also encompasses the Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S).
[2] The FDIC, the Board, the OCC, and the OTS are hereafter referred to as "the agencies."

To facilitate the FDIC's administration of the TLGP, the FDIC Board approved an interim rule on October 23, 2008,[3] and a final rule on November 21, 2008.[4] The TLGP comprises two distinct components: the Debt Guarantee Program (DGP), pursuant to which the FDIC guarantees certain senior unsecured debt issued by entities participating in the TLGP, and the Transaction Account Guarantee (TAG) program, pursuant to which the FDIC guarantees all funds held at participating insured depository institutions (beyond the maximum deposit insurance limit) in qualifying noninterest-bearing transaction accounts. The November 2008 final rule included certain qualifying NOW accounts, among other accounts, as a type of noninterest-bearing transaction account guaranteed by the FDIC pursuant to the TAG program.

The TAG program originally was set to expire on December 31, 2009. The FDIC Board recognized that the TAG program was contributing significantly to improvements in the financial sector, and also noted that many parts of the country were still suffering from the effects of economic turmoil. As a result, on August 26, 2009, following a public notice and comment period, the FDIC Board extended the TAG program through June 30, 2010, with certain modifications to the program.[5]

Since its inception, the TAG program has been an important source of stability for many banks with large transaction account balances. In the second quarter of 2010, over 6,300 insured depository institutions, representing approximately 80 percent of all FDIC-insured institutions, were participating in the TAG program and continued to benefit from the guarantee provided by the FDIC. These institutions held an estimated $356 billion of deposits in accounts currently subject to the FDIC's guarantee as of March 31, 2010. Of these, $280 billion represented amounts above the insured deposit limit and guaranteed by the FDIC through its TAG program.

To provide additional stability for participating insured depository institutions and enhance the likelihood of a continuing and sustainable economic recovery in the financial sector, on April 13, 2010, the FDIC Board adopted an interim rule (with a request for comment) extending the TAG program for six months through December 31, 2010, with the possibility of an additional 12-month extension, through December 31, 2011, without further rulemaking upon a determination by the FDIC Board that continuing economic difficulties warrant such an extension.[6] Although the April 2010 interim rule proposed no increase in fees for continued participation in the TAG program, it modified the basis upon which a participating institution's assessment would be calculated to reflect a change from quarter-end reporting to average daily balance reporting for TAG-related accounts beginning with the third quarter of 2010. In addition, in order to align NOW accounts covered by the TAG program with current market rates and to ensure that the program is not used inappropriately by institutions to attract interest-rate-sensitive deposits to fund risky activities, the April 2010 interim rule reduced the interest rate on NOW accounts eligible for the FDIC's guarantee from a maximum of 0.50 percent to a maximum of 0.25 percent. Because the April 2010 interim rule modified the existing regulatory requirements placed on institutions participating in the TAG program, the rule provided an irrevocable, one-time opportunity for participating institutions to opt out of the extended TAG program.

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[3] 73 FR 64179, October 29, 2008. The FDIC amended the interim rule effective November 4, 2008. 73 FR 66160, November 7, 2008.
[4] 73 FR 72244, November 26, 2008.
[5] 74 FR 45093, September 1, 2009.
[6] 75 FR 20257, April 19, 2010.

Following the public comment period for the April 2010 interim rule extending the TAG program, the FDIC Board adopted a final rule addressing the program on June 22, 2010, that is almost identical to the interim rule.[7] The June 2010 final rule made one modification to the April 2010 interim rule that does not affect the proposed regulatory reporting revision that is the subject of this request for OMB review.

At present, banks participating in the TAG program report the amount and number of qualifying noninterest-bearing transaction accounts of more than $250,000 as of the quarter-end report date in Call Report Schedule RC-O, Memorandum items 4.a and 4.b. By the very nature of these transaction accounts, the account balances are volatile, fluctuating greatly on any given day due to the operational nature of the deposits, such as for payrolls, and withdrawals made by typical business customers. Therefore, in response to the modification of the basis upon which a participating institution's assessment is calculated from quarter-end reporting to average daily balance reporting for TAG program-related accounts that is contained in the FDIC's April 2010 interim rule, the agencies requested comment on May 21, 2010, on a proposal to change the basis for reporting in the items identified above.[8] More specifically, the agencies proposed that the total dollar amount of TAG program-qualifying accounts and the total number of such accounts would be reported as an average daily balance rather than as a quarter-end amount beginning with the September 30, 2010, report date for the Call Report, the TFR, and the FFIEC 002.

2. Use of Information Collected

Under the FDIC's April 2010 interim rule and June 2010 final rule for the TAG program, each insured depository institution participating in the program will be required to pay quarterly an assessment on the average daily amount of noninterest-bearing transaction accounts, as defined in the rule, that exceed $250,000 for each calendar day during the quarter, as reported in its quarterly regulatory reports (Call Report, TFR, or FFIEC 002), beginning with the third quarter of 2010. Because institutions currently participating in the TAG program report the amount and number of qualifying noninterest-bearing transaction accounts of more than $250,000 as of quarter-end in their quarterly regulatory reports, the agencies are requesting OMB approval to revise the reporting basis for these existing items to average daily balance reporting to support the FDIC's revised assessment calculation for participating institutions.

3. Use of Technology to Reduce Burden

All banks are subject to an electronic filing requirement for the Call Report. Institutions may use information technology to the extent feasible to maintain required records.

[7] 75 FR 36506, June 28, 2010.
[8] 75 FR 28612, May 21, 2010. The notice also proposed to change the reporting basis for the items in the TFR and the FFIEC 002 that correspond to the specified Call Report items.

4. Efforts to Identify Duplication

The average daily balance information to be collected on noninterest-bearing transaction accounts is not duplicated in other information collections.

5. Minimizing the Burden on Small Entities

The information on average daily balances for noninterest-bearing transaction accounts over $250,000 that is the subject of this request is the minimum necessary to administer the TAG program. Small entities were permitted to opt out of the extension of the TAG program beyond June 30, 2010, which will eliminate the reporting burden associated with average daily balance reporting under this program.

6. Consequences of Less Frequent Collection

Submission of daily average balance data on noninterest-bearing transaction accounts by insured depository institutions participating in the TAG 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.

7. Special Circumstances

There are no special circumstances.

8. Consultation with Persons Outside the FDIC

In connection with the FDIC's April 2010 adoption of the interim rule extending the TAG program for six months through December 31, 2010, with the possibility of an additional 12-month extension, through December 31, 2011, the FDIC requested comment on the extension, including the modification of the basis upon which a participating institution's assessment is calculated from quarter-end reporting to average daily balance reporting for TAG program-related accounts. After considering the comments received on the April 2010 interim rule, the FDIC Board adopted a final rule addressing the extension of the TAG program on June 22, 2010, that is almost identical to the interim rule.

In addition, as required by the Paperwork Reduction Act, the agencies requested comment on May 21, 2010, on the proposed change in the basis for reporting the amount and number of noninterest-bearing transaction accounts of more than $250,000 from quarter-end to average daily balance reporting in the Call Report, the TFR, and the FFIEC 002.[9] The agencies received one comment on the proposed revision of the TAG program reporting requirements. The commenter, a bank consultant, sought information concerning the calculation of TAG program average daily balances and was directed to the guidance on this subject, including an example, that had been posted on the FDIC's Web site.[10]

[9] 75 FR 28612, May 21, 2010.
[10] This guidance and example can be accessed at http://www.fdic.gov/regulations/resources/TLGP/tagp-programReportingGuidance.pdf.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

Information on the average daily 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 TAG program 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 average daily balance data for the amount and number of noninterest-bearing transaction accounts over $250,000 under the TAG program is based on the number of FDIC-supervised banks reporting in recent Call Reports that they have noninterest-bearing transaction accounts over $250,000. As a result of the change in reporting on such accounts from quarter-end amounts to average daily amounts, it is estimated that, on average, it will take an FDIC-supervised bank approximately 39.68 hours each quarter to prepare its Call Report as it is proposed to be revised in this submission. There are currently 4,880 FDIC-supervised banks. The estimated annual reporting burden for these FDIC-supervised banks is 774,554 hours.

For FDIC-insured commercial banks, salaries and employee benefits per full-time equivalent employee currently average about $39.00 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 $30.2 million. This cost is based on the application of the $39.00 average hourly rate to the estimated total hours of annual reporting burden of 774,554.

13. Capital, Start-up, and Operating Costs

Banks, including those participating in the FDIC's TAG program, 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.

Insured depository institutions that have chosen to participate in the extension of the TAG program will likely need to modify certain elements of their recordkeeping systems to enable them to report the average daily balance information for the amount and number of noninterest-bearing transaction accounts over $250,000 to be used by the FDIC to calculate these institutions' TAG program assessments. Although the reporting changes to support average daily balance reporting will result in start-up and operating costs to banks participating in the program, an estimate of such costs cannot be readily determined.

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 $20.1 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 774,554. 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 FDIC of the reporting change that is the subject of this submission 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 incremental costs associated with the implementation of the revision to the currently approved Call Report information collection that is the subject of this submission are encompassed within the FDIC's personnel and data processing budgets 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 change to the Call Report that is the subject of this submission.

Currently, there are 4,880 FDIC-supervised banks submitting quarterly Call Reports. This number is 75 less than previously reported (4,955 previously versus 4,880 now). The only proposed revision that is the subject of this submission is a change in the basis of reporting data on the amount and number of noninterest-bearing transactions accounts over $250,000 by banks participating in the FDIC's TAG program from quarter-end data to average daily balance data. Based on the number of FDIC-supervised banks reporting in recent Call Reports that they have noninterest-bearing transaction accounts over $250,000 that are covered by this program, the

FDIC estimates that the overall effect of the proposed reporting revision across all FDIC-supervised banks 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	771,791 hours
Revision to basis of reporting for TAG program accounts (program change)	+14,484 hours
Adjustment (change in use)	-11,721 hours
Requested (new) burden:	774,554 hours
Net change in burden:	+2,763 hours

16. Publication

Information on the average daily amount and number of noninterest-bearing transaction accounts over $250,000 that will be collected from institutions participating in the extended TAG program would be publicly available as part of the data collected in the Call Report that are currently made available to the public.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.