

**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 031 and 041; OMB No. 7100-0036). These 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) and the Office of the Comptroller of the Currency (OCC) have also submitted a similar request for OMB review in order to request this information from banks 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 agencies propose to modify the basis on which institutions, participating in the Transaction Account Guarantee (TAG) program, report data on the amount and number of qualifying noninterest-bearing transaction accounts of more than \$250,000 (Schedule RC-O, Memorandum items 4.a and 4.b). The data items would be reported based on an average daily balance instead of the quarter-end balance. The proposed revisions are in response to the FDIC's June 2010 final rule<sup>1</sup> modifying the basis upon which a participating institution's assessment is calculated for TAG program-related accounts and they would take effect as of September 30, 2010. The current annual burden for the Call Reports is estimated to be 184,920 hours; the proposed revisions are estimated to increase the annual burden to 185,595 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) states:

... banks ... shall be required to make reports of condition and of the payment of dividends to the Federal Reserve bank of which they become a member. Not less than three of such reports shall be made annually on call of the Federal Reserve bank on dates to be fixed by the Board of Governors of the Federal Reserve System.... Such reports of condition shall be in such form and shall contain such information as the Board of Governors of the Federal Reserve System may require and shall be published by the reporting banks in such manner and in accordance with such regulations as the said Board may prescribe.

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<sup>1</sup> 75 FR 36506, June 28, 2010.

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.

### **Description of Information Collection**

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

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 series of reporting forms that collect from all commercial and savings banks the information gathered through the Reports of Condition and Income. There are other information collections 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**

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.

To facilitate the FDIC's administration of the TLGP, the FDIC Board approved an interim rule on October 23, 2008,<sup>2</sup> and a final rule on November 21, 2008.<sup>3</sup> 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 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.<sup>4</sup>

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 \$365 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

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<sup>2</sup> 73 FR 64179, October 29, 2008. The FDIC amended the interim rule effective November 4, 2008. 73 FR 66160, November 7, 2008.

<sup>3</sup> 73 FR 72244, November 26, 2008.

<sup>4</sup> 74 FR 45093, September 1, 2009.

extension.<sup>5</sup> 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 is 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 provides an irrevocable, one-time opportunity for currently participating institutions to opt out of the extended TAG program.

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.<sup>6</sup> 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 notice.

At present, institutions 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.<sup>7</sup> 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. The amounts to be reported as daily averages would be the total dollar amount of the noninterest-bearing transactions accounts, as defined in the April 2010 interim rule and the June 2010 final rule, of more than \$250,000 for each calendar day during the quarter divided by the number of calendar days in the quarter. For days that an office of the reporting institution is closed (e.g., Saturdays, Sundays, or holidays), the amounts outstanding from the previous business day would be used. The total number of accounts to be reported would be calculated on the same basis. Thus, all insured depository institutions that do not opt out of the extension of the TAG program will need to ensure that their reporting procedures will enable them to gather the necessary daily data each quarter. For example, for September 30, 2010, the daily data will cover the period from July 1 through September 30, 2010.

### **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

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<sup>5</sup> 75 FR 20257, April 19, 2010.

<sup>6</sup> 75 FR 36506, June 28, 2010.

<sup>7</sup> 75 FR 28612, May 21, 2010.

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 30 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, shortly after a bank's submission, beginning the first calendar day 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 determined that the individual respondent information contained in Schedule RI-E, item 2.g, "FDIC deposit insurance assessments" are exempt from disclosure pursuant to the Freedom of Information Act [5 U.S.C. 552 (b)(4) and (8)] for periods beginning June 30, 2009. The Board's Legal Division also determined that the individual respondent information contained in the trust schedule, RC-T are exempt from disclosure pursuant to the Freedom of Information Act [5 U.S.C. 552(b)(4) and (8)] for periods prior to March 31, 2009. 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.

## **Consultation Outside the Agency and Discussion of Public Comments**

On May 21, 2010, the agencies published a notice in the *Federal Register* (75 FR 28612) requesting public comment for 60 days on the extension for three years, with revision, of the Call Reports. The comment period for this notice expired on July 20, 2010. 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.<sup>8</sup> On August 2, 2010, the agencies published a final notice in the *Federal Register* (75 FR 45201), implementing the changes as proposed.

## **Estimate of Respondent Burden**

The Federal Reserve estimates that the proposed revisions would increase the estimated annual burden by 675 hours. This proposal would modify the instructions for certain existing data items. Although only certain institutions report these data currently, the proposal as a whole

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<sup>8</sup> This guidance and example can be accessed at <http://www.fdic.gov/regulations/resources/TLGP/tagp-programReportingGuidance.pdf>.

would produce an average increase in reporting burden of 12 minutes per response. The Federal Reserve estimates the total proposed annual reporting burden for state member banks to be 185,595 hours, as shown below. This reporting requirement represents 2.1 percent of the total Federal Reserve paperwork burden.

	<i>Number of respondents<sup>9</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>	843	4	54.84	184,920
<b>Proposed</b>	843	4	55.04	185,595
<i>Change</i>				675

The total cost to state member banks is estimated to be \$7,757,871 annually.<sup>10</sup> 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.

<sup>9</sup> Of these respondents, 413 are small entities as defined by the Small Business Administration (i.e., entities with less than \$175 million in total assets) [www.sba.gov/contractingopportunities/officials/size/table/index.html](http://www.sba.gov/contractingopportunities/officials/size/table/index.html).

<sup>10</sup> 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% Office & Administrative Support @ \$16, 50% Financial Managers @ \$48, 10% Legal Counsel @ \$54, and 10% Chief Executives @ \$76). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2008, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).

## **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**

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