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 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 reporting changes are limited to the addition of two items to the Call Report schedule used to collect data related to deposit insurance assessments and a revision to the instructions for an existing item in this schedule effective December 31, 2010. These changes respond to amendments made to the Federal Deposit Insurance Act (FDI Act) by Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). More specifically, all banks would begin to report the quarter-end amount and number of noninterest-bearing transaction accounts (as defined in Section 343) of more than $250,000. The instructions for reporting estimated uninsured deposits also would be revised. This estimate is required to be reported by institutions with $1 billion or more in total assets.

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

Section 343 of the Dodd-Frank Act amends the FDI Act with respect to the insurance coverage of noninterest-bearing transaction accounts. These amendments take effect December 31, 2010, and require the FDIC to "fully insure the net amount that any depositor at an insured depository institution maintains in a noninterest-bearing transaction account." Section 343 includes a definition of "noninterest-bearing transaction account" and provides unlimited insurance coverage to these accounts at all insured depository institutions through December 31, 2012.

As a result of this statutory change in deposit insurance coverage for noninterest-bearing transaction accounts, the agencies have proposed to add two items to Call Report

[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."

(Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments), the TFR, and the FFIEC 002 effective December 31, 2010. As of that report date, all insured depository institutions would begin to report the quarter-end amount and number of noninterest-bearing transaction accounts (as defined in the Dodd-Frank Act) of more than $250,000. The instructions for an existing item in which institutions with $1 billion or more in total assets report estimated uninsured deposits also would be revised to reflect the temporary unlimited insurance coverage of noninterest-bearing transaction accounts. These data are needed in order for the FDIC to estimate the quarter-end amount of insured deposits for reserve ratio calculation purposes[3] and to determine the appropriate level of the Deposit Insurance Fund's contingent loss reserve for anticipated failures of insured depository institutions. Unless Section 343 of the Dodd-Frank Act is extended, the two proposed new items would be collected only through December 31, 2012, and the instructions for reporting estimated uninsured deposits would revert to their current language after that date.

2. Use of Information Collected

As noted above, the proposed two new items and instructional revision will support the FDIC's ability to estimate the quarter-end amount of insured deposits for reserve ratio calculation purposes and to determine the appropriate level of the Deposit Insurance Fund's contingent loss reserve for anticipated failures of insured depository 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.

4. Efforts to Identify Duplication

The proposed new items for the quarter-end amount and number of noninterest-bearing transaction accounts (as defined in the Dodd-Frank Act) of more than $250,000 and the existing item for estimated uninsured deposits, for which the instructions would be revised, are not duplicated in other information collections.

5. Minimizing the Burden on Small Entities

The new information on the quarter-end amount and number of noninterest-bearing transaction accounts (as defined in the Dodd-Frank Act) of more than $250,000 that is the subject of this request is the minimum necessary for the FDIC to administer its deposit insurance program in response to the enactment of temporary unlimited insurance coverage for these accounts at all insured institutions. The existing item for estimated uninsured deposits, for which the instructions would be revised, is completed only by banks with $1 billion or more in total assets. Therefore, the instructional change does not affect small banks.

6. Consequences of Less Frequent Collection

[3] The Deposit Insurance Fund's reserve ratio is the fund's balance divided by estimated insured deposits.

Submission of the quarter-end amount and number of noninterest-bearing transaction accounts (as defined in the Dodd-Frank Act) of more than $250,000 and amount of estimated uninsured deposits less frequently than quarterly would reduce the FDIC's ability to timely calculate the Deposit Insurance Fund's reserve ratio, which must be tracked and compared to the minimum Designated Reserve Ratio of 1.35 percent of estimated insured deposits established by the Dodd-Frank Act, and determine the appropriate level of the Deposit Insurance Fund's contingent loss reserve for anticipated failures of insured depository institutions.

7. <u>Special Circumstances</u>

There are no special circumstances.

8. <u>Consultation with Persons Outside the FDIC</u>

As required by the Paperwork Reduction Act, the agencies requested comment on September 3, 2010, on the proposed new items for the quarter-end amount and number of noninterest-bearing transaction accounts (as defined in the Dodd-Frank Act) of more than $250,000 and the revision of the instructions for the existing item for estimated uninsured deposits. No comments were received.

9. <u>Payment or Gift to Respondents</u>

No gifts will be given to respondents.

10. <u>Confidentiality</u>

Information collected in the Call Report on the quarter-end amount and number of noninterest-bearing transaction accounts (as defined in the Dodd-Frank Act) of more than $250,000 would be publicly available. Amounts reported for estimated uninsured deposits will remain publicly available.

11. <u>Information of a Sensitive Nature</u>

No information of a sensitive nature is requested.

12. <u>Estimate of Annual Burden</u>

It is estimated that, on average, it will take an FDIC-supervised bank approximately <u>40.18</u> hours each quarter to prepare its Call Report as it is proposed to be revised in this submission. There are currently 4,800 FDIC-supervised banks. The estimated annual reporting burden for these FDIC-supervised banks is <u>771,456</u> hours. This annual reporting burden for the Call Report information collection as a whole 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 $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 <u>$30.1 million</u>. This cost is based on the application of the $39.00 average hourly rate to the estimated total hours of annual reporting burden of 771,456.

13. <u>Capital, Start-up, and Operating Costs</u>

Insured depository institutions 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. Institutions that have been participating in the FDIC's Transaction Account Guarantee Program, which involves the identification of the amount and number of a more broadly defined set of noninterest-bearing transaction accounts of more than $250,000 than is defined in the Dodd-Frank Act, may need to modify their reporting process for the narrower Dodd-Frank definition of these accounts. Institutions that have not been participating in the Transaction Account Guarantee Program may need to modify certain elements of their internal recordkeeping systems to enable them to report the amount and number of noninterest-bearing transaction accounts of more than $250,000. Similarly, institutions with $1 billion or more in total assets that are required to report their estimated uninsured deposits may need to modify their systems to accommodate the temporary unlimited insurance coverage provided to noninterest-bearing transaction accounts (as defined in the Dodd-Frank Act). Although these reporting changes will result in start-up and operating costs, an estimate of such costs cannot be readily determined.

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 <u>$20.1 million</u>. 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 771,456. 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. <u>Estimates of Annualized Cost to the Federal Government</u>

The cost to the FDIC 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 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 revisions to the currently approved Call Report information collection that are 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: (1) a net decrease in the number of reporting institutions supervised by the FDIC, and (2) the changes to the Call Report that are the subject of this submission.

Currently, there are 4,800 FDIC-supervised banks submitting quarterly Call Reports. This number is 80 less than previously reported (4,880 previously versus 4,800 now). This submission involves the addition of new items for the amount and number of noninterest-bearing transactions accounts (as defined in the Dodd-Frank Act) of more than $250,000 and the revision of the instructions for the existing item (reported only by banks with $1 billion or more in total assets) for estimated uninsured deposits. The FDIC estimates that the overall effect of these proposed reporting changes across all FDIC-supervised banks would be an average increase of approximately one half hour per response. The analysis of the change in burden is as follows:

Currently approved burden	774,554 hours
Reporting changes in response to Section 343 of The Dodd-Frank Act (program change)	+9,600 hours
Adjustment (change in use)	-12,698 hours
Requested (new) burden:	771,456 hours
Net change in burden:	-3,098 hours

16. Publication

Information on the amount and number of noninterest-bearing transaction accounts (as defined in the Dodd-Frank Act) of more than $250,000 that will be collected from all banks would be publicly available as part of the data collected in the Call Report that are currently made available to the public, which includes amounts reported for estimated uninsured deposits.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.