SUPPORTING STATEMENT

Thrift Financial Report (TFR)
(OTS 1313)
OMB No. 1550-0023 (Office of Thrift Supervision)

A. JUSTIFICATION

1. Circumstances and Need

The agencies are proposing to add two items to the schedules in the Call Report, the TFR, and the FFIEC 002 for collecting data related to deposit insurance assessments and to revise the instructions for an existing item in these schedules 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) (Pub. L. 111-203, July 21, 2010) pertaining to the insurance of transaction accounts.

In October 2008, the FDIC Board of Directors adopted the Transaction Account Guarantee (TAG) program as one of two components of a Temporary Liquidity Guarantee Program (TLGP).[1] Under the TAG program the FDIC guarantees all funds held at participating insured depository institutions (beyond the maximum deposit insurance limit) in qualifying noninterest-bearing transaction accounts, which include certain interest-bearing NOW accounts. Originally set to expire on December 31, 2009, the TAG program has since been extended, with certain modifications, through December 31, 2010, with the possibility of an additional 12-month extension, through December 31, 2011.[2]

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," thereby in effect replacing the FDIC's TAG program. Section 343 includes a definition of "noninterest-bearing transaction account" that differs from the definition of this term in the FDIC's TAG program regulations.[3] In addition, the unlimited insurance coverage of these accounts applies to all insured depository institutions, not just those institutions that elected to obtain insurance

[1] To administer the TLGP, the FDIC Board approved an interim rule on October 23, 2008, an amendment to the interim rule on November 4, 2008, and a final rule on November 21, 2008. See 73 FR 64179 (October 29, 2008), 73 FR 66160 (November 7, 2008), and 73 FR 72244 (November 26, 2008), respectively.

[2] See 74 FR 45093 (September 1, 2009), 75 FR 20257 (April 19, 2010), and 75 FR 36506 (June 28, 2010).

[3] As defined in Section 343, a "noninterest-bearing transaction account" is an account "(I) with respect to which interest is neither accrued nor paid; (II) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (III) on which the insured depository institution does not reserve the right to require advance notice of an intended withdrawal." In contrast, under the FDIC's TAG program, the term "noninterest-bearing transaction account" includes not only those accounts within the scope of Section 343 but also accounts commonly known as Interest on Lawyers Trust Accounts (or functionally equivalent accounts) and negotiable order of withdrawal accounts with interest rates no higher than 0.25 percent for which the institution at which the account is held has committed to maintain the interest rate at or below 0.25 percent.

coverage for noninterest-bearing transaction accounts through the FDIC's TAG program. Under Section 343, the unlimited insurance coverage of noninterest-bearing transaction accounts would be in effect through December 31, 2012.

As a result of this statutory change in deposit insurance coverage for noninterest-bearing transaction accounts, the agencies requested comment on September 3, 2010 on a proposal to add two items to the schedules in the Call Report, the TFR, and the FFIEC 002 in which data are collected for deposit insurance assessment purposes (Schedule RC-O, Schedule DI, and Schedule O, respectively) effective December 31, 2010.[4] As of that report date, all insured depository institutions, including those institutions that had not elected to participate in the FDIC's TAG program, would begin to report the quarter-end amount and number of noninterest-bearing transaction accounts (as defined in the Dodd-Frank Act, not as defined in the FDIC's TAG program regulations) of more than $250,000. These data are needed in order for the FDIC to estimate the quarter-end amount of insured deposits for reserve ratio calculation purposes[5] and to determine the appropriate level of the Deposit Insurance Fund's contingent loss reserve for anticipated failures of insured depository institutions. Unless the unlimited insurance coverage of noninterest-bearing transaction accounts under Section 343 of the Dodd-Frank Act is extended, the two proposed new items would be collected only through the December 31, 2012, report date.

Institutions participating in the FDIC's TAG program should note that, for purposes of determining their TAG program assessments for the fourth calendar quarter of 2010 (which will be payable on March 30, 2011), they must complete the existing TAG program data items – Call Report Schedule RC-O, Memorandum items 4.a and 4.b; TFR Schedule DI, items DI570 and DI575; or FFIEC 002 Schedule O, Memorandum items 4.a and 4.b, as appropriate – for the final time in their December 31, 2010, reports. These items capture the average daily amount and average daily number for the quarter of qualifying noninterest-bearing transaction accounts of more than $250,000 as defined in the FDIC's TAG program regulations.

As a result of the unlimited insurance coverage for noninterest-bearing transaction accounts effective December 31, 2010, the agencies also requested comment on September 3, 2010, on a proposed revision of the instructions for reporting estimated uninsured deposits in Call Report Schedule RC-O, Memorandum item 2; TFR Schedule DI, item DI210; and FFIEC 002 Schedule O, Memorandum item 2.[6] These items are required to be completed by institutions with $1 billion or more in total assets. At present, balances in TAG program qualifying noninterest-bearing transaction accounts of more than $250,000 are treated as uninsured deposits for purposes of reporting estimated uninsured deposits because the TAG program was instituted as a component of the TLGP, which resulted from a systemic risk determination. Thus, TAG program insurance coverage and assessments are separate from the regular deposit insurance program administered by the FDIC. Under the Dodd-Frank Act, the extension of unlimited insurance coverage to noninterest-bearing transaction accounts at all insured depository institutions falls within the FDIC's regular deposit insurance program. Therefore, in response to this statutory change in insurance coverage, the instructions for reporting estimated uninsured deposits in the Call Report, TFR, and FFIEC 002 items identified above would be revised to indicate that balances of more than $250,000 in noninterest-bearing transaction accounts (as defined in the Dodd-Frank Act) should be treated as insured, rather than uninsured, deposits.

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[4] 75 FR 54227(September 3, 2010).

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

[6] 75 FR 54227 (September 3, 2010).

Unless the unlimited insurance coverage of noninterest-bearing transaction accounts under Section 343 of the Dodd-Frank Act is extended, this instructional revision would be in effect only through the December 31, 2012, report date.

2. Use of Information Collected

OTS uses this information to monitor the condition, performance, and risk profile of individual institutions and systemic risk among groups of institutions and the industry as a whole.

3. Use of Technology to Reduce Burden

Since 1993, all reporting associations file their TFRs electronically. Electronic transmission has significantly reduced the reporting burden and has improved data quality by reducing transcription errors and providing edit checks at the source of the data entry. OTS internally developed and maintains the electronic filing software and provides it free-of-charge to all savings associations in Microsoft Windows on a CDROM. The electronic software sums totals, brings forward beginning balances, and calculates certain fields, eliminating the need for data entry for approximately 20% of the fields in the TFR. There are over 900 edit checks in the electronic software that allow associations to self-edit their data prior to transmitting the report. The software allows associations to explain any valid deviations from the edits in a memorandum system called “User Notes.” These enhancements reduce the amount of time OTS staff has to spend in validating the data and reduce the number of phone calls made to the associations, thus reducing burden on the industry. OTS is currently exploring a web-based data collection application. A web-based application will achieve greater efficiencies in the data collection and report dissemination processes.

4. Efforts to Identify Duplication

This information collection is not duplicative within the meaning of the PRA and OMB regulations. Information that is similar to or that corresponds to information that could serve OTS's purpose and need in this information collection is not being collected from OTS regulated institutions by any other means or for any other purpose; nor is this information otherwise available in the detail necessary to satisfy the purpose and need for which this collection of information is undertaken. However, the data gathered in this information collection are shared with the other Federal financial institution regulators, state financial institution regulators, and other Federal agencies.

5. Minimizing the Burden on Small Entities

Although the collection of information affects a significant number of small businesses, OTS does not anticipate that the net economic impact will be large.

6. Consequences of Less Frequent Collection

Collection of this information less frequently than quarterly would hinder the ability of OTS to monitor the industry and perform its supervisory function.

7. Special Circumstances

There are no special circumstances.

8. Consultation with Persons Outside the OTS

The OTS, jointly with the other Federal banking agencies, published the 60-Day FRN on September 3, 2010 (75 FRN page 54227). OTS did not receive any comments.

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 would be publicly available.

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

With respect to the reporting of data on the amount and number of noninterest-bearing transaction accounts over $250,000 under the Transaction Account Guarantee Program, assume 757 OTS-insured depository institutions will participate in the program. OTS is citing 37.5 hours average for quarterly schedules and 2.0 hours average for schedules required only annually plus recordkeeping on average of one hour.

NOTE: OTS cited 757 respondents for the 60-Day and 30-Day Federal Register Notices. Currently the actual number of thrifts that OTS regulates is 741.

The effect of these changes on the estimated annual reporting burden associated with the agency's currently approved collection of information is estimated as follows:

TFR Report:

OTS

Revised estimate after changes and adjustment:	186,360 *

*(See attached table for the burden calculation)

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.

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 OTS 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

OTS is citing a reduction in the number of respondents as an adjustment and an increase in the response time as a program change.

16. Publication

The agencies will make the data on the amount and number of noninterest-bearing transaction accounts over $250,000 reported by participating insured depository institutions publicly available as part of the data collected in the Call Report, the TFR, and the FFIEC 002 that is 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.