**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 revise 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), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS)[1] have also submitted a similar request for OMB review 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 are proposing to add two items to the schedules in the Call Report 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. The current annual burden for the Call Reports is estimated to be 185,155 hours; the proposed revisions are estimated to increase the annual burden to 186,837 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.

1 The OTS has submitted similar changes to their Thrift Financial Report (OMB No. 1550-0023).

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 Transaction Account Guarantee (TAG) program as one of two components of a 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.[2] 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.

The TAG program originally was set to expire on December 31, 2009, but it was extended through June 30, 2010, with certain modifications to the program, and then extended for another six months through December 31, 2010, with the possibility of an additional 12-month extension, through December 31, 2011.[3]

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.[4] In addition, the full insurance coverage of these accounts applies to all insured depository institutions, not just those institutions that elected to obtain insurance coverage for noninterest-bearing transaction accounts through the FDIC's TAG program. Under Section 343, the full 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 are proposing to add two items to the schedules in the Call Report in which data are collected for deposit insurance assessment purposes (Schedule RC-O) effective December 31, 2010. 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

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2 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.

3 See 74 FR 45093, September 1, 2009; 75 FR 20257, April 19, 2010; and 75 FR 36506, June 28, 2010.

4 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.

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 full 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, Schedule RC-O, Memorandum items 4.a and 4.b, for the final time in their reports for December 31, 2010. 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 full insurance coverage for noninterest-bearing transaction accounts as defined in the Dodd-Frank Act effective December 31, 2010, the agencies are also proposing to revise the instructions for reporting estimated uninsured deposits in Schedule RC-O, Memorandum item 2. 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 full 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 Call Report Schedule RC-O, Memorandum item 2, 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. Unless the full 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.

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

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

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 September 3, 2010, the agencies published a notice in the *Federal Register* (75 FR 54227) 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 November 2, 2010. The agencies did not receive any comments. On November 9, 2010, the agencies published a final notice in the *Federal Register* (75 FR 68856), implementing the changes as proposed.

Estimate of Respondent Burden

The Federal Reserve estimates that the proposed revisions would increase the estimated annual burden by 1,682 hours. This proposal would add two data items for all institutions and modify the instructions for one data item for institutions with $1 billion or more in total assets. The proposal as a whole would produce an average increase in reporting burden of 30 minutes per response. The Federal Reserve estimates the total proposed annual reporting burden for state member banks to be 186,837 hours, as shown below. This reporting requirement represents 1.6 percent of the total Federal Reserve paperwork burden.

	Number of respondents[6]	*Annual frequency*	*Estimated average hours*	*Estimated annual burden*

6 Of these respondents, 413 are small entities as defined by the Small Business Administration (i.e., entities with

			per response	*hours*
Current	841	4	55.04	185,155
Proposed	841	4	55.54	186,837
Change				1,682

The total cost to state member banks is estimated to be $7,809,787 annually.[7] 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

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.

less than $175 million in total assets) www.sba.gov/contractingopportunities/officials/size/table/index.html.

7 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 . Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/ .