

SUPPORTING STATEMENT

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

A. JUSTIFICATION

1. Circumstances and Need

Section 141 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), Pub. L. No. 102-242 (Dec. 19, 1991), added Section 13(c)(4)(G) to the Federal Deposit Insurance Act (FDI Act). 12 USC 1823(c)(4)(G). That section authorizes action by the federal government in circumstances involving a systemic risk to the nation's financial system.

OTS last revised the form and content of the TFR in a manner that significantly affected a substantial percentage of institutions in March 2010, and implemented additional revisions effective in the September 2010 and December 2010 reporting cycles. Throughout 2010, OTS has evaluated its ongoing information needs. The OTS is re-submitting the TFR for OMB's review and approval for the year 2011. OTS plans on collecting this data beginning in March 2011.

OTS recognizes that the TFR imposes reporting requirements, which are a component of the regulatory burden facing institutions. Another contributor to this regulatory burden is the examination process, particularly on-site examinations during which institution staffs spend time and effort responding to inquiries and requests for information designed to assist examiners in evaluating the condition and risk profile of the institution. The amount of attention that examiners direct to risk areas of the institution under examination is, in large part, determined from TFR data. These data, and analytical reports, including the Uniform Thrift Performance Report, assist examiners in scoping and making their preliminary assessments of risks during the planning phase of the examination.

A risk-focused review of the information from an institution's TFR allows examiners to make preliminary risk assessments prior to onsite work. The degree of perceived risk determines the extent of the examination procedures that examiners initially plan for each risk area. If the outcome of these procedures reveals a different level of risk in a particular area, the examiner adjusts the examination scope and procedures accordingly.

TFR data are also a vital source of information for the monitoring and regulatory activities of OTS. Among their benefits, these activities aid in determining whether the frequency of an institution's examination cycle should remain at maximum allowed time intervals, thereby lessening overall regulatory burden. More risk-focused TFR data enhance the ability of OTS to assess whether an institution is experiencing changes in its risk profile that warrant immediate follow-up, which may include accelerating the timing of an on-site examination.

In developing this proposal, OTS considered a range of potential information needs, particularly in the areas of credit risk, liquidity, and liabilities, and identified those additions to the TFR that are most critical and relevant to OTS in fulfilling its supervisory responsibilities. OTS recognizes that increased reporting burden will result from the addition to the TFR of the new items discussed in this proposal. Nevertheless, when viewing these proposed revisions to the TFR within a larger context, they help to enhance the on- and off-site supervision capabilities of OTS, which assist with controlling the overall regulatory burden on institutions.

All proposed changes to the TFR for 2011 that would increase the differences between the TFR and the Call Report used by banks for reporting financial data have been eliminated.

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

OTS published the 60-Day FRN on October 5, 2010 (75 FR page 61563). OTS published an amended 60-Day FRN to correct an error in the initial notice on November 17, 2010 (75 FR page 70355).

The OTS received comments from 3 respondents: a savings association, a bankers' association, and a U.S. government agency. Respondents tended to comment on one or more specific aspects of the proposal rather than addressing each individual proposed TFR revision. The bankers' association reported that its "members have expressed no concerns with many of the OTS's proposed revisions," but it suggested that the OTS make several changes to the revisions. The savings association was opposed to the OTS proposal to collect data on deposits obtained through deposit listing services. The U.S. government agency expressed support for the collection of data in TFR Schedules SO and DI which it uses for economic and statistical analysis.

The bankers' association commented on the proposed additional detail on loans that have undergone troubled debt restructurings. The commenter recommended the OTS defer the proposed troubled debt restructuring revisions, including the new breakdowns by loan category, until the FASB finalizes proposed clarifications to its standards for accounting for troubled debt restructurings by creditors. To the extent the clarifications emanating from the FASB proposed accounting standards update may result in savings associations having to report certain loans as troubled debt restructurings that had not previously been identified as such, this accounting outcome will arise irrespective of the proposed breakdown of the loan categories in Schedules VA and PD. Therefore, the OTS will implement the new breakdown for the reporting of troubled debt restructurings modified to reflect the breakdown to be added to the Call Report effective with the March 2011 reporting period.

OTS received two comments (from one savings association and one bankers' association) that addressed the proposed collection of the estimated amount of deposits obtained through the use of deposit listing services that are not brokered deposits. Both commenters were opposed to the proposal. The savings association recommended the OTS withdraw this proposal because not all

listing services serve the same types of customers; not all listing service deposits can be easily tracked and controlled; not all listing services represent a source of high-yield deposits; and the collection of the proposed items may dissuade bank examiners from appropriately evaluating the volatility and rate sensitivity of deposits reported in the items. The bankers' association that objected to the proposed item cited the difficulty in identifying and tracking deposits obtained from listing services. After considering the comments on its proposal, the OTS has decided to proceed with the proposed new item for the estimated amount of deposits obtained through the use of deposit listing services, but will eliminate the proposed new line for the average daily deposits of deposits obtained through the use of deposit listing services. This is consistent with the new item to be added to the Call Report for banks effective as of the March 31, 2011, reporting period.

OTS received one comment from a bankers' association on the proposal for separate reporting of deposits of individuals versus deposits of partnerships and corporations. The commenter suggested the proposed change would be too labor intensive for some savings associations and asked that the OTS not implement the change. The commenter indicated that if the new deposit breakdown were adopted, it should be deferred until March 31, 2012, to allow time for savings associations to make the necessary systems changes. The bankers' association also recommended that all certified and official checks be reported together in one of the two depositor categories. OTS has reconsidered its proposal for savings associations to report deposits of individuals separately from deposits of partnerships and corporations in Schedule DI. Although the OTS continues to believe that information distinguishing between deposits of individuals and deposits of partnerships and corporations would enhance the OTS's ability to assess the liquidity risk profile of institutions, it acknowledges the proposed reporting revision could necessitate extensive programming changes and impose significant reporting burden. As a result of this reevaluation, the OTS has decided not to implement this proposed TFR revision.

OTS received one comment from a bankers' association that addressed proposed Schedule VIE. The bankers' association asked that the OTS consider the burden this new reporting schedule would impose on smaller savings associations and asked that the OTS consider some relief from compliance for smaller savings associations to lessen their burden. Because the TFR balance sheet is completed on a consolidated basis, the VIE amounts that savings associations would report in new Schedule VIE are amounts that, through the consolidation process, already must be reported in the appropriate balance sheet asset and liability categories. These balance sheet categories, generally, have been carried over into Schedule VIE. Schedule VIE distinguishes between assets of consolidated VIEs that can be used only to settle obligations of the consolidated VIEs and assets not meeting this condition as well as liabilities of consolidated VIEs for which creditors do not have recourse to the general credit of the reporting bank and liabilities not meeting this condition. This distinction is based on existing disclosure requirements applicable to financial statements prepared in accordance with U.S. GAAP. Savings associations likely to have material amounts of consolidated VIE assets and liabilities to report have been subject to these disclosure requirements for one year. Thus, these savings associations should have a process in place, even if manual, for segregating VIE assets and liabilities based on this distinction. OTS recognizes that the proposed separate reporting of consolidated VIE assets and liabilities by the type of VIE activity, i.e., securitization vehicles, ABCP conduits, and other VIEs, goes beyond the disclosure requirements in U.S. GAAP.

Otherwise, the proposed data requirements for Schedule VIE have been based purposely on the GAAP framework. Thus, the OTS has concluded that it would be appropriate to proceed with the introduction of a new Schedule VIE in March 2011. The new Schedule VIE will be consistent with the new Schedule RC-V proposed to be adopted for the Call Report in March 2011 by the other federal banking agencies.

The other federal banking agencies received similar comments with respect to their 60-Day FRN for revisions to the Call Report to be effective with the March 2011 reporting cycle. All proposed changes to the TFR for 2011 that would increase the differences between the TFR and the Call Report used by banks for reporting financial data have been eliminated. All changes being adopted for the TFR effective with the March 2011 reporting cycle are consistent with the changes being adopted for the Call Report or are for data items already collected through the Call Report.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

The information proposed for collection commencing with the March 2011 reporting cycle would be publicly available.

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

OTS is citing 60.2 hours average for quarterly schedules and 2.0 hours average for schedules required only annually plus recordkeeping on an average on one hour.

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:

Existing annual reporting burden:	175,422
Revised estimate after changes and adjustment:	186,360 *
*(See attached table for the burden calculation)	

NOTE: OTS cited 753 respondents for the 60-Day Federal Register Notice and 741 respondents for the 30-Day Federal Register Notices. As of February 2, 2011, the actual number of thrifts that OTS regulates is 727.

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 not citing an inventory burden change.

16. Publication

OTS will make the data revisions effective with the March 2011 reporting cycle publicly available as part of the data collected in the TFR that is currently publicly available.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.