Supporting Statement for
Consolidated Reports of Condition and Income
(Interagency Call Report)
OMB Control No. 1557-0081

A. JUSTIFICATION

1. Circumstances and Need

The agencies are proposing to implement changes to savings association data reporting requirements beginning with the reporting period ending on March 31, 2012. These changes are intended to provide the data needed to monitor safety and soundness and for other public purposes. The proposed changes would require savings associations to cease filing the TFR and commence filing the Call Report beginning on the March 31, 2012, report date.

2. Use of Information Collected

Institutions submit Call Report and TFR data to the agencies each quarter for the agencies' use in monitoring the condition, performance, and risk profile of individual institutions and the bank and savings association industries as a whole. Call Report and TFR data provide the most current statistical data available for evaluating institutions' corporate applications, for identifying areas of focus for both on-site and off-site examinations, and for monetary and other public policy purposes. The agencies use Call Report and TFR data in evaluating interstate merger and acquisition applications to determine, as required by law, whether the resulting institution would control more than ten percent of the total amount of deposits of insured depository institutions in the United States. Call Report and TFR data also are used to calculate all financial institutions' deposit insurance and Financing Corporation assessments as well as the assessments of national banks and savings associations.

3. Use of Technology to Reduce Burden

All banks and savings associations are subject to an electronic filing requirement for Call Reports and TFRs. Insured U.S. branches of foreign banks are permitted to submit the FFIEC 002/002S reports electronically. Institutions may use information technology to the extent feasible to maintain required records.

4. Efforts to Identify Duplication

This information is unique because no other report or a series of reports provides all the Call Report data in a consistent and timely manner.

5. Minimizing the Burden on Small Entities

Only the minimum information needed to evaluate the condition of an institution, regardless of size, is required.

6. Consequences of Less Frequent Collection

Quarterly reporting is required in some instances under 12 U.S.C. 161. The Federal financial regulatory agencies also must have condition and income data at least quarterly to properly monitor individual bank and industry trends. Less frequent collection of this information would impair the agencies' ability to monitor financial institutions and could delay regulatory response.

7. Special Circumstances

There are no special circumstances.

8. Consultation with Persons Outside the OCC

The agencies, on February 8, 2011, requested public comment for 60 days on their proposal to require savings associations currently filing the Thrift Financial Report (TFR) to convert to filing the Consolidated Reports of Condition and Income (Call Report) beginning with the reporting period ending on March 31, 2012 (76 FR 7082).

The agencies collectively received comments from five savings associations and from two bank/thrift trade associations regarding the agencies' February 8, 2011 proposal to convert to the Call Report from the TFR. None of the commenters took exception to the fundamental proposal to have savings associations currently regulated by the OTS begin reporting regulatory financial data using the Call Report instead of the TFR sometime after the July 21, 2011 transfer date. However, the OCC did receive comments on some specific aspects of the proposed report conversion. Below is a discussion of the more specific comments.

The comments received from the individual savings associations all related to the proposal to eliminate the collection of data on Schedule Consolidated Maturity/Rate (Schedule CMR), and with it, the elimination of the OTS Interest Rate Risk Model (OTS IRR Model). One savings association supported Schedule CMR elimination noting that it used an internal model to monitor interest rate risk and it was a burden to reconcile the results of its own model to that of the OTS IRR Model. Four savings associations commented that they supported continuation of Schedule CMR since they relied on the OTS IRR Model to help monitor interest rate risk.

In making the final determination about Schedule CMR and the OTS IRR Model, the agencies carefully considered these comments as well as comments received by the OTS in response to its 2007 Advance Notice of Proposed Rulemaking (72 FR 64003, November 14, 2007) regarding a possible conversion to the Call Report. The majority of comments received by the OTS in response to the 2007 proposal supported elimination of the IRR Model and collection of Schedule CMR. The reasons cited by savings associations supporting the elimination of Schedule CMR were based on the burden of generating the data necessary to complete that schedule and the fact that they had adopted other models to help measure and monitor interest rate risk.

The agencies also considered that existing rules, regulations, and overall supervisory approaches for savings associations will be realigned to parallel those applied to all other FDIC-insured institutions. Specifically with regard to monitoring interest rate risk, savings associations will be expected to have their own resources to measure and monitor interest rate risk. This measurement should address earnings at risk as well as capital at risk to interest rate movements, as described in the agencies' 2010 Advisory on Interest Rate Risk Management (Interagency Advisory).

The OTS IRR Model does not provide measurement of both earnings at risk and capital at risk to interest rate movements, so extending reporting of Schedule CMR would not facilitate savings associations' movement toward full compliance with the Interagency Advisory. Numerous vendors and other sources are available to assist institutions in establishing processes to fully measure interest rate risk exposure, as evidenced by existing commercial and state-chartered savings banks of all asset sizes that effectively measure and monitor interest rate risk independently of, but subject to supervisory oversight by, their regulator. After considering all the issues, the agencies have decided to proceed with the elimination of Schedule CMR as proposed beginning with the March 31, 2012 reporting period.

The February 8, 2011 notice also proposed that the filing of Schedule CMR for the remainder of 2011 would be optional for savings associations with a current "1" or "2" rating under the Uniform Financial Institutions Rating System (UFIRS), a "1" or "2" rating for their most recent UFIRS Sensitivity component rating, and the means to adequately monitor and assess interest rate risk through internal processes pursuant to current regulatory guidance and expectations.

The agencies decided to modify the proposed 2011 optional filing of Schedule CMR for these savings associations. Rather than making the filing of Schedule CMR optional for savings associations that have a "1" or "2" rating for their most recent UFIRS composite rating, a "1" or "2" rating for their most recent UFIRS Sensitivity component rating, and the means to adequately monitor and assess interest rate risk through internal processes, savings associations that meet these criteria should <u>not</u> file Schedule CMR after the end of the June 30, 2011 reporting period. All other savings associations must continue to file Schedule CMR through the December 31, 2011 reporting period.

Additional comments were received from two bank/thrift trade associations. Both of the trade associations requested a one-year extension for the conversion of the TFR to the Call Report from the proposed implementation date of the reporting period ending March 31, 2012, to an implementation date of the reporting period ending March 31, 2013. The trade associations cited various burden concerns as a general basis for the one-year extension request.

The agencies met with representatives from the two trade associations on May 11, 2011, to discuss in more detail their comments regarding the report conversion proposal. Both trade associations reiterated the concerns expressed in their comment letters. In the comment letters and during the May 11, 2011, meeting, both trade associations mentioned the coinciding burden associated with the Board's notice of intent to require SLHCs to begin filing the same regulatory reports required of BHCs. The Board is considering the comments received on its notice of intent and plans to issue a proposal for comment regarding SLHC reporting on or after the July 21, 2011, transfer date.

The agencies carefully considered the trade associations' comments regarding the TFR-to-Call Report conversion proposal. The agencies realize the report conversion is a key consideration of the thrift industry and have already taken several measures to help address these concerns and ease the conversion from the TFR to the Call Report.

One of the most significant measures to assist with the report conversion process is the transfer of the entire OTS Financial Reporting Division (FRD) staff to the FDIC effective with the transfer date. The FRD staff currently responds to savings association TFR questions and is the primary contact for savings associations with questions regarding TFR content issues as well as technical filing issues. The FRD staff currently has caseloads of savings associations and the transfer of FRD staff as a unit will help provide savings associations with consistency by having the same points of contact throughout the report conversion process. Experienced Call Report staff also will be available to assist institutions with report content and filing issues throughout the transition and on an ongoing basis.

In addition, on February 3, 2011, the OTS announced it would curtail all proposed changes to the TFR for 2011 that would increase the differences between the TFR and the Call Report (Final Notice 76 FR 6191). This decision was made to help reduce the burden of the proposed report conversion.

Also to help savings associations with the conversion to the Call Report, the OTS published on February 15, 2011, a "mapping" of data items reported on the TFR to comparable items reported on the Call Report. The mapping further identified the Call Report data items that are not reported in the TFR. The mapping schema is available on the OTS's Web site at http://www.ots.treas.gov/_files/4830092.pdf. The mapping schema was also placed on the FFIEC's Web site under Call Report Forms at http://www.ffiec.gov/ffiec_report_forms.htm.

The two trade associations expressed appreciation for the mapping between the reports mentioned above. They also commented that there were a large number of data items that did not map between the two reports. The trade associations observed the large number was primarily attributable to the greater number of data items currently collected on the Call Report compared to the number of data items collected on the TFR. Further, the trade associations indicated the large number of data items that do not map between the reports may be evidence that the proposed report conversion could prove difficult for savings associations.

The agencies believe the number of data items that do not map between the two reports reflects: 1) a larger number of data items reported on the Call Report than on the TFR; and 2) the greater number of large, complex institutions reporting information using the Call Report rather than the TFR.

As of March 31, 2011, there were 7,574 FDIC-insured banks and savings institutions – 724 were savings associations reporting data to the OTS using the TFR and the remainder (6,850) were FDIC-insured commercial banks and state-chartered savings banks reporting data to their respective regulatory agency using the Call Report. Of the 724 savings associations, four had assets greater than $50 billion, and none had assets greater than $100 billion. Of the 6,850 institutions, 32 had assets greater than $50 billion, and four had assets greater than $100 billion.

The fact that the thrift industry (TFR filers) is generally smaller and has fewer large, complex institutions than the other banks and savings institutions insured by the FDIC as a group (Call Report filers), has allowed the OTS to obtain needed supervisory information from individual savings associations rather than add data items to the TFR. This was especially the case where information was needed for activities unique to certain larger, more complex thrift institutions.

In contrast, obtaining similar information for supervisory purposes through the Call Report was more efficient for Call Report filers since there likely was a greater number of institutions engaged in complex activities. This was due to the fact there are approximately nine times the number of Call Report filers as there are TFR filers. In addition, there are a greater number of large institutions filing the Call Report.

The inclusion in the Call Report of schedules from which to obtain information from complex activities, for example securitization activities, as opposed to the collection of similar information outside the TFR collection process for savings associations, resulted in a large number of items that did not map from the Call Report to the TFR. Call Report items designed to collect information from institutions engaged in complex activities would not need to be reported for the vast majority of savings associations.

Furthermore, the Call Report uses an asset size-based approach to some schedules whereby institutions exceeding a certain asset size are required to report additional data. The asset size thresholds in many Call Report schedules are either $300 million or $1 billion. As of March 31, 2011, 64 percent of savings associations had assets less than $300 million; 86 percent of savings associations had assets less than $1 billion. Hence, the additional reporting required of larger institutions in many Call Report schedules would not apply to the majority of savings associations.

For these reasons, the agencies believe focusing on the number of Call Report data items that do not map to the TFR may lead to the inaccurate conclusion that the proposed conversion to the Call Report from the TFR would impose significant additional burden on all savings associations.

The two trade associations also commented that the burden estimates, specifically the estimates under the heading “Initial Burden Estimates,” in the February 8, 2011 notice announcing the proposed reporting conversion, underestimate the actual number of hours that may be required for the conversion.

The initial burden estimates in the February 8, 2011 notice were based on a telephone survey conducted by the OTS of certain savings associations that changed charters from an OTS-supervised institution to a commercial bank or a non-OTS supervised state savings bank during the period from January 1, 2008, through June 30, 2010. Hence, these institutions had to convert from reporting on the TFR to reporting on the Call Report. Their actual experience implementing a report conversion from the TFR to the Call Report was thought to be valuable information for estimating the initial burden for this proposal.

A total of 22 OTS-supervised savings associations changed charters during the period reviewed. Six of the 22 savings associations changed charters to facilitate an acquisition or merger into another institution. Two of the 22 savings associations engaged in trust activities only. Of the remaining 14 savings associations, nine were contacted by the OTS and asked for their estimate of the total hours expended – including systems work and training for the new reporting – in converting from the TFR to the Call Report.

The estimates included two extremes. One institution estimated zero hours were expended on the report conversion. This institution indicated they used a service provider for general ledger and other reporting purposes that had both TFR filers and Call Report filers as clients. Hence, the conversion to the Call Report was very simple and required zero hours by the institution to implement the report conversion.

At the other extreme was one institution's estimate of 720 hours (600 hours for the TFR-to-Call Report conversion and 120 hours for the TFR Schedule HC-to-bank holding company conversion). This institution had experienced significant growth through acquisitions in the two years prior to its charter change, and some of the hours estimated for report conversion may have been attributable to systems coordination among acquired entities. Nevertheless, this institution's estimate was included in the calculation of the average number of hours used to estimate the initial burden of report conversion.[1]

It is typical in calculating averages to exclude extremes from the low end and the high end. For conservatism, only the estimate of zero hours was excluded in calculating the average number of estimated hours for initial burden published in the February 8, 2011 notice. Furthermore, some institutions could not differentiate between the hours spent on the TFR-to-Call Report conversion and the hours spent on the holding company report conversion. These institutions either did not track hours separately for each process or viewed the conversion for both reports as a single effort. Once again, taking a conservative approach, we elected to include total hours estimated from institutions (hours related to the TFR-to-Call Report conversion plus hours related to the holding company report conversion) for estimating the initial burden hours included in the February 8, 2011 notice.

As presented in the notice published February 8, 2011, the average number of hours estimated for converting from the TFR to the Call Report was 188 hours. The agencies believe this is a fair estimate of the initial burden of the proposal.

The trade associations also commented that the conversion from the TFR to the Call Report, as proposed, would be burdensome on the systems of savings associations and that vendors of software for generating and reporting Call Reports may have difficulty helping savings associations with the report conversion. One of the commenters noted that "each savings

[1] Excluding the two extremes, the range of hours was 40 hours to 360 hours. If both the high-end and low-end extremes were excluded, the average number of estimated burden hours would be 130 hours.

association would have to evaluate each reporting line item, find where in their institution the information may be obtained, and create systems and procedures to provide the required information."

The agencies carefully reviewed the service providers currently used by savings associations to help manage information and operation systems. The FDIC also surveyed several Call Report software filing vendors to help determine the overall difficulty of the proposed conversion from a vendor perspective.

As stated in the February 8, 2011 notice, there are currently nine vendors offering software meeting the technical specifications for producing Call Report data files that are able to be processed by the FFIEC's Central Data Repository (CDR).[2] Based on an analysis by the OTS, approximately 60 percent of savings associations use one of the nine vendors to generate their general ledgers. Another 20 percent of savings associations use one of the nine vendors as their service provider for a system other than their general ledger, such as systems for customer information files, loan processing and underwriting, loan servicing, or asset/liability management.

Based on a survey of Call Report software vendors, these vendors already have a mapping of data items between the Call Report and the TFR. Hence, it does not appear that individual savings associations generally would need to conduct their own systems mapping of TFR data items to comparable Call Report items for filing the Call Report. The agencies believe this survey finding, together with the large percentage of savings associations already using the services of vendors familiar with both the TFR and the Call Report, would appear to help mitigate the overall difficulty of the proposed conversion.

One of the trade associations commented there will be costs associated with the report conversion and these costs may rise dramatically if the conversion implementation occurs as proposed. The agencies agree there will be costs associated with the report conversion. The OTS developed TFR reporting software and provided that software free-of-charge to savings associations to file the TFR. In contrast, Call Report filers typically use commercially available software to file the Call Report.

The agencies do not agree the costs may rise dramatically if the conversion implementation occurs as proposed. Inquiries were made of vendors regarding the costs of reporting software, both initial costs and ongoing costs, as part of the survey of Call Report software vendors discussed above. The survey results indicated the costs of the Call Report filing software are not significant and average approximately $1,000 for the initial set-up and $1,000 per year depending on institution asset size.[3] Further, vendors indicated that the method used to obtain the filing software is simple and straightforward. Moreover, since most savings associations already use some services from vendors that also provide Call Report filing

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[2] The list of these nine vendors can be found on the last page of the FFIEC's most recent quarterly Call Report Supplemental Instructions found at http://www.ffiec.gov/ffiec_report_forms.htm. In addition, individual institutions may choose to develop their own Call Report preparation software that meets these technical specifications.

[3] These costs may vary depending on asset size as indicated, as well as modules, options, or additional services requested.

software, the efforts needed by vendors to provide Call Report filing software to the majority of savings associations is limited.

The agencies carefully considered all of the burden issues raised by the two trade associations as reasons for requesting a one-year delay of the report conversion implementation. Based on the agencies' analyses of burden issues and surveys or discussions with service providers and savings association executives, the agencies have decided to proceed with the conversion of the TFR to the Call Report beginning with the reporting period ending March 31, 2012, as proposed.

The agencies also considered that existing rules, regulations, and overall examination and supervisory approaches for savings associations will be realigned to parallel those applied to all other FDIC-insured banks and savings institutions. Many of these rules, regulations, and examination and supervisory approaches rely on information gathered from the Call Report. Moreover, the primary models, monitoring tools and data reports used in conducting off-site financial monitoring and onsite examinations – such as the Uniform Bank Performance Report (UBPR) – are produced from Call Report data. Hence, to help ensure that overall supervision and supervisory evaluations are consistent among all FDIC-insured banks and savings institutions, the agencies believe it is vital to have all FDIC-insured banks and savings institutions use the same supervisory financial report and filing processes beginning in 2012.

There were several other comments submitted by the two trade associations. Both trade associations requested the agencies allow early adoption of the Call Report by savings associations. The agencies considered this request and have agreed to allow savings associations to adopt the Call Report early for report dates following the transfer date of July 21, 2011.[4] The agencies request that savings associations planning to file a Call Report in 2011 for the last two reporting periods, or the last reporting period, should notify their primary federal regulator (and state regulator where applicable) and the FRD analyst assigned to their institution at least <u>two weeks before the Call Report due date which is 30 calendar days after the quarter-end report date</u>. This will allow for the necessary systems adjustments to the CDR for Call Report collection and processing. Once a savings association has elected to adopt the Call Report early in 2011, it must continue to file the Call Report for the remainder of the early adoption period, and such Call Reports will be subject to all applicable data standards and requirements.

One trade association requested that the agencies consider allowing institutions to file Call Reports based on their fiscal years rather than the requirement to file on a calendar year basis as currently required. According to data collected in the Call Report on institutions' fiscal years, there are about 200 current Call Report filers with fiscal years that do not align with the

[4] Savings associations that adopt the Call Report early in 2011 should not file TFR Schedule CMR unless required to do so by their primary regulator. In most cases, the filing of Schedule CMR for savings associations that early adopt the Call Report would be required if the institution does not yet have the means to adequately measure and monitor interest rate risk. Additionally, savings associations that adopt the Call Report early in 2011, would still need to submit all other existing OTS regulatory reports and would be required by the Board to file TFR Schedule HC through the December 31, 2011 reporting period. As mentioned above in this notice, the Board is considering the comments received on its notice of intent and plans to issue a proposal for comment regarding SLHC reporting on or after the July 21, 2011, transfer date.

calendar year. The agencies were not able to identify any institutions – including those with fiscal years that do not align with the calendar year – for which filing the Call Report on a calendar year basis would present filing problems. Therefore, all institutions will be required to file the Call Report on a calendar year basis.

The agencies encourage feedback regarding their progress with the report conversion process. Savings associations should feel free to contact their FRD analyst, supervisory caseload manager, regional director, or contacts listed on this notice about report conversion issues.

Further, the agencies will continue to meet with savings association managers through various venues. During these meetings, managers will be encouraged to discuss issues related to the implementation of the report conversion.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

Except for selected data items, the Call Report and TFR are not given confidential treatment.

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

Estimated Number of Respondents: 2,091 (1,427 national banks and 664 federal savings associations).

Estimated Time per Response: National banks: 53.38 burden hours per quarter to file.
Federal savings associations: 53.38 burden hours per quarter to file and 188 burden hours for the first year to convert systems and conduct training.

Estimated Total Annual Burden: National banks: 304,693 burden hours to file.
Federal savings associations: 141,777 burden hours to file; plus 124,832 burden hours for the first year to convert systems and conduct training.
Total: 571,302 burden hours.

The OCC estimates that 1,427 national banks and 664 federal savings associations will file Call Reports each quarter and that the burden will average 213 burden hours per year. An individual bank's actual burden may be higher or lower, depending on the complexity of the bank's structure and the degree of accounting system automation.

The OCC estimates the cost of the hour burden to respondents as follows:

Clerical:	20% x 571,302 =	114,260.40 @ $20 =	$ 2,285,208.00
Managerial/technical:	65% x 571,302 =	371,346.30 @ $40=	$ 14,853,852.00
Senior mgmt/professional:	14% x 571,302 =	79,982.28 @ $80 =	$ 6,398,582.40
Legal:	01% x 571,302 =	5,713.02 @ $100 =	$ 571,302.00
Total:			$ 24,108,944.00

13. Capital, Start-up, and Operating Costs

The estimate of annual burden cited above in Section 12 is the estimated ongoing burden for the quarterly filing of the Call Report. In addition to those filings, savings associations would incur an initial burden of converting systems and training staff to prepare and file the Call Report in place of the TFR as proposed. Accordingly, the burden estimates for savings associations also include the time to convert to filing the Call Report, including necessary systems changes and training staff on Call Report preparation and filing, which is estimated to average 188 hours.

As a general statement, larger institutions and those with more complex operations would expend a greater number of hours than smaller institutions and those with less complex operations. An institution's use of service providers for the information and accounting support of key functions, such as credit processing, transaction processing, deposit and customer information, general ledger, and reporting should result in lower burden hours for converting to the Call Report. Institutions with staff having experience in preparing and filing the Call Report should incur lower initial burden hours for converting to the Call Report from the TFR.

14. Estimates of Annualized Cost to the Federal Government

15. Change in Burden

Current:

Estimated Number of Respondents: 1,427 national banks.

Estimated Time per Response: 53.38 burden hours.

Estimated Total Annual Burden: 304,693 burden hours.

Proposed:

Estimated Number of Respondents: 2,091(1,427 national banks and 664 federal savings associations).

Estimated Time per Response: National banks: 53.38 burden hours per quarter to file. Federal savings associations: 53.38 burden hours per quarter to file and 188 burden hours for the first year to convert systems and conduct training.

Estimated Total Annual Burden: National banks: 304,693 burden hours to file. Federal savings associations: 141,777 burden hours to file; plus 124,832 burden hours for the first year to convert systems and conduct training. Total: 571,302 burden hours.

Difference: + 664 respondents; + 266,609 burden hours.

16. Publication

Not applicable.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.