Supporting Statement for the
Consolidated Reports of Condition and Income
(FFIEC 031 and FFIEC 041; OMB No. 7100-0036)

Summary

The Board of Governors of the Federal Reserve System requests approval from the Office of Management and Budget (OMB) to extend for three years, with revision, the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 and FFIEC 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) and the Office of the Comptroller of the Currency (OCC) 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 Federal Reserve, the FDIC, and the OCC (the "agencies") are proposing to implement a new Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses (ALLL), which will be completed by institutions with $1 billion or more in total assets beginning March 31, 2013. Institutions would report a breakdown by key loan category of the end-of-period ALLL disaggregated on the basis of impairment method and the end-of-period recorded investment in held-for-investment loans and leases related to each ALLL balance. For the March 31, 2013, report date, as applicable, institutions may provide reasonable estimates for any Call Report Schedule RI-C item for which the requested information is not readily available. The current annual burden for the Call Reports is estimated to be 183,660 hours and the proposed revisions are estimated to increase the annual burden by 467 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.

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 Federal Reserve'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, FFIEC 033, and FFIEC 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

Disaggregated Data on the Allowance for Loan and Lease Losses

In July 2010, the Financial Accounting Standards Board (FASB) published Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), which amended Accounting Standards Codification (ASC) Topic 310, Receivables. The main objective of the update was to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. Examples of financing receivables include loans, credit cards, notes receivable, and leases (other than an operating lease). The update was intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses.

To achieve its main objective, ASU 2010-20 requires, in part, that an entity disclose by portfolio segment "[t]he balance in the allowance for credit losses at the end of each period disaggregated on the basis of the entity's impairment method" and "[t]he recorded investment in financing receivables at the end of each period related to each balance in the allowance for credit losses, disaggregated ... in the same manner."[1] As defined in the ASC Master Glossary, a portfolio segment is "[t]he level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses." For each portfolio segment, the disaggregation based on impairment method requires separate disclosure of the allowance and the related recorded investment amounts for financing receivables collectively evaluated for impairment, individually evaluated for impairment, and acquired with deteriorated credit quality.[2] This disaggregated disclosure requirement is effective for public entities for the first interim or annual reporting period ending on or after December 15, 2010, and for nonpublic entities for annual reporting periods ending on or after December 15, 2011.

Consistent with the ASU 2010-20 disclosure requirements described above, the agencies are proposing revisions to the March 2013 Call Report to capture disaggregated detail of institutions' ALLL and related recorded investments for loans and leases from institutions with

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[1] ASC paragraphs 310-10-51-11B(g) and (h).

[2] ASC paragraph 310-10-51-11C. Allowances for amounts collectively evaluated for impairment are determined under ASC Subtopic 450-20, Contingencies–Loss Contingencies (formerly FASB Statement No. 5, "Accounting for Contingencies"), allowances for amounts individually evaluated for impairment are determined under ASC Section 310-10-35, Receivables–Overall–Subsequent Measurement (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan"), and allowances for loans acquired with deteriorated credit quality are determined under ASC Subtopic 310-30, Receivables–Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer").

$1 billion or more in total assets. Disaggregated data would be reported for key loan categories for which the recorded investments are reported in Schedule RC-C, Part I, Loans and Leases. The agencies also propose to collect this information on the basis of impairment method for each loan category. The agencies believe that the use of general loan categories consistent with the ALLL methodology of reporting institutions for the proposed new Call Report disaggregated disclosures is consistent with the meaning of the term portfolio segment in ASU 2010-20 and with the agencies' supervisory guidance on ALLL methodologies.[3] More specifically, the agencies propose to collect from institutions with $1 billion or more in total assets disaggregated allowance and recorded investment data on the basis of impairment method (collectively evaluated for impairment,[4] individually evaluated for impairment, and acquired with deteriorated credit quality) for the following loan categories:

- Real estate loans:
    - Construction loans
    - Commercial real estate loans
    - Residential real estate loans;
- Commercial loans (including all loans and leases not reported as real estate loans, credit cards, or other consumer loans);
- Credit Cards
- Other consumer loans
- Unallocated, if any
- Total (sum of the above)

Currently, the Call Report does not provide detail on the components of the ALLL disaggregated by loan category in the manner prescribed by ASU 2010-20. Rather, only the amount of the overall ALLL is reported with separate disclosure of the total amount of the allowance for loans acquired with deteriorated credit quality.[5] Therefore, when conducting off-site evaluations of the level of an individual institution's overall ALLL and changes therein, examiners and agency analysts cannot determine whether the institution is releasing loan loss allowances in some loan categories and building allowances in others. Collecting more detailed ALLL information would allow the agencies to more finely focus efforts related to the ALLL and credit risk management and, in conjunction with past due and nonaccrual data currently reported by loan category that are used in a general assessment of an institution's credit risk exposures, to better evaluate the appropriateness of its ALLL. As an example, it is currently not possible to differentiate the ALLL allocated to commercial real estate (CRE) loans from the remainder of the ALLL at institutions with CRE concentrations. By collecting more detailed ALLL information, examiners and analysts would then better understand how institutions with such concentrations are building or releasing allowances, the extent of ALLL coverage in

[3] See the agencies' July 2001 "Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions" at www.federalreserve.gov/boarddocs/srletters/2001/SR0117a1.pdf and their December 2006 "Interagency Policy Statement on the Allowance for Loan and Lease Losses" at www.fdic.gov/news/news/financial/2006/fil06105a.pdf.

[4] For loans collectively evaluated for impairment, an institution would also report the amount of any unallocated portion of its ALLL.

[5] Credit card specialty banks and other institutions with a significant volume of credit card receivables also disclose the amount, if any, of ALLL attributable to retail credit card fees and finance charges.

relation to their CRE portfolios, and how this might differ among institutions.

The proposed additional detail on the composition of the ALLL by loan category would also be useful for analysis of the depository institution system. As of June 30, 2011, institutions with $1 billion or more in total assets, which would report the additional detail under this proposal, held nearly 91 percent of the ALLL balances held by all institutions. More granular ALLL information would assist the agencies in understanding industry trends related to the build-up or release of allowances for specific loan categories. The information would also support comparisons of ALLL levels by loan category, including the identification of differences in ALLL allocations by institution size. Understanding how institutions' ALLL practices and allocations differ over time for particular loan categories as economic conditions change may also provide insights that can be used to more finely tune supervisory procedures and policies.

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 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) website (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 Federal Reserve to require these reports from all state member banks. The Board's Legal Division has determined that the following data items are confidential: (1) the FDIC deposit insurance assessment information reported in response to item 2.g on Schedule RI-E, (2) the prepaid deposit insurance assessments information reported in response to item 6.f on schedule RC-F, and (3) the information regarding other data for deposit insurance and FICO assessments reported in respond to memorandum items 6-9 and 14-15 on schedule RC-O. This information can be 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 November 21, 2011, the agencies published an initial notice in the *Federal Register* (76 FR 72035) requesting public comment for 60 days on the extension, with revision, of the Call Reports. The comment period for this notice expired on January 20, 2012. The agencies collectively received comments from three banking organizations and two bankers' associations. Commenters expressed the general concern that the proposed disaggregated ALLL data in Schedule RI-C are not aligned with the manner in which institutions estimate and maintain their ALLL and that modifying systems to report ALLL information categorized as proposed would be costly and necessitate significant lead time to implement. One commenter also recommended increasing the asset size threshold for institutions to report this schedule, proposed to be collected from institutions with $1 billion or more in total assets, to $5 billion or $10 billion in total assets. Two commenters recommended a more streamlined approach requiring disclosure of fewer loan categories, thereby allowing the agencies to achieve their stated objective and permit institutions to report data consistently with the business models and methodologies used to estimate their ALLL. One of these commenters recommended collapsing the proposed nine loan categories and collecting ALLL and the related recorded investment amounts by impairment measurement method for only three segments: consumer credit cards, all other consumer loans, and commercial loans. The second commenter recommended reporting ALLL and the related recorded investment amounts by impairment measurement method for five loan categories: commercial real estate, residential real estate, commercial, credit cards, and other consumer. The second commenter also favored retaining the reporting of any unallocated portion of the ALLL as had been proposed. Implicit in both of these commenters' recommendations is the concept that the definitions for the loan categories in Schedule RI-C should be those the reporting institution uses in its ALLL methodology rather than those specified in Call Report Schedule RC-C, part I, Loans and Leases.

The the agencies have decided to retain the proposed $1 billion total asset threshold for Schedule RI-C, which exempts 91 percent of all institutions from this reporting requirement. Given that institutions with $1 billion or more in total assets hold nearly 91 percent of the ALLL balances held by all institutions as of June 30, 2012, retaining this reporting threshold as proposed will enable the agencies to perform a more comprehensive and decision-useful analysis of the depository institution system, particularly in providing a better understanding of how institutions' ALLL practices and allocations differ over time for particular loan categories as economic conditions change. Furthermore, all institutions with $1 billion or more in total assets are subject to regulations that require them to prepare annual financial statements in accordance with U.S. generally accepted accounting principles. Accordingly, such institutions should have processes in place to develop the disaggregated ALLL data required to be disclosed by ASU 2010-20, which are comparable to the data specified by Schedule RI-C as it has been modified in response to comments.

On February 17, 2012, the agencies published a notice in the *Federal Register* (77 FR 9727) deferring the implementation of the new Schedule RI-C, originally proposed to be added to the Call Report effective June 30, 2012. The agencies announced they were continuing to evaluate the proposed new schedule in light of the comments received. In response to these comments, the agencies have decided to (1) modify the proposed Schedule RI-C to streamline the disclosure of loan categories to collect ALLL and the related recorded investments amounts by impairment measurement method for the loan categories (and any unallocated portion of the ALLL) based on six general loan categories, and (2) delay implementation of Schedule RI-C until March 2013. On November 8, 2012, the agencies published a final notice in the *Federal Register* (77 FR 67059) announcing the completion of their evaluation of Schedule RI-C and proceeding with the proposed disaggregation of ALLL information.

Estimate of Respondent Burden

The current annual reporting burden for the Call Report is estimated to be 183,660 hours and would increase to 185,904 hours as shown in the following table. The average estimated hours per response for Call Report filers would increase from 55.52 hours to 55.66 hours due to the proposed changes. The Federal Reserve anticipates that given the reporting thresholds that apply to the proposed revisions, the smallest institutions are not likely to be affected by the proposed changes. This reporting requirement represents 1.47 percent of the total Federal Reserve paperwork burden.

	Number of respondents[6]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current	827	4	55.52	183,660
Proposed	835	4	55.66	185,904
Change				2,244

The current total annual cost to state member banks is estimated to be $8,237,151 and with the proposed revisions would increase to $8,337,794.[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.

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[6] Of these respondents, 413 are small entities as defined by the Small Business Administration (i.e., entities with 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 @ $17, 45% Financial Managers @ $52, 15% Legal Counsel @ $55, and 10% Chief Executives @ $81). 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 2011, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

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 annual cost to the Federal Reserve System for collecting and processing the Call Reports are estimated to be $1,500,837 per year. This amount includes the routine annual cost of personnel, printing, and computer processing, as well as internal software development cost for maintaining and modifying existing operating systems used to edit and validate submitted data.