SUPPORTING STATEMENT

Consolidated Reports of Condition and Income

FFIEC 031 and 041
(OMB No. 3064-0052)

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) is submitting for Office of Management and Budget (OMB) review changes to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Report) filed quarterly by FDIC-supervised banks and savings associations. The Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC) are also submitting these changes for OMB review for the banks and savings associations under their supervision.

The proposed revisions to the Call Reports that are the subject of this request have been approved by the FFIEC and would take effect June 30, 2013. New and revised data would be reported in Schedule RC-C, part I, Loans and Leases, and Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, by large institutions and highly complex institutions as defined for deposit insurance assessment purposes in the FDIC's regulations (generally, institutions with $10 billion or more in total assets) to support the FDIC's large bank pricing method for insurance assessments, including amendments to the method adopted in a final rule approved by the FDIC Board of Directors in October 2012 that took effect April 1, 2013.[1] The reporting changes would include a new table of consumer loans by loan type and probability of default band, new data items providing information on loans secured by real estate at institutions with foreign offices, revisions of existing data items on real estate loan commitments and U.S. government-guaranteed real estate loans to include those in foreign offices, other revisions to the information collected on assets guaranteed by the U.S. government, and separate reporting of higher-risk securitizations from other types of higher-risk assets. In addition, the scope of the existing item in Schedule RI-A, Changes in Bank Equity Capital, for "Other transactions with parent holding company" would be revised to include such transactions with all stockholders.

The agencies also would continue collecting the existing Schedule RC-O items on the amount and number of noninterest-bearing transaction accounts of more than $250,000 from all institutions through December 31, 2013, after which these items would be eliminated. Two items that are no longer needed – Schedule RC-F, Other Assets, item 6.f, "Prepaid deposit insurance assessments," and Schedule RC-R, item 19, "Tier 3 capital allocated for market risk" – would be removed from the Call Report effective June 30, 2013.

[1] See 77 FR 66000, October 31, 2012.

JUSTIFICATION

1. Circumstances and Need

Section 7 of the Federal Deposit Insurance Act requires all insured depository institutions to submit four "reports of condition" each year to their primary federal bank supervisory authority, i.e., the FDIC, the OCC, or the FRB, as appropriate. FDIC-supervised institutions, i.e., insured state nonmember banks and state savings associations, submit these reports to the FDIC. The FDIC uses the quarterly Call Reports to monitor the condition and performance of individual institutions and the industry as a whole. In addition, Call Reports provide the FDIC with the most current statistical data available for evaluating depository institution corporate applications such as mergers; identifying areas of focus for both on-site and off-site examinations; calculating all insured institutions' deposit insurance and Financing Corporation assessments; and other public purposes.

Within the Call Report information collection system, separate sets of forms apply to institutions that have domestic and foreign offices (FFIEC 031) and to institutions with domestic offices only (FFIEC 041).

The amount of data required to be reported varies between the two versions of the report forms, with the report forms for institutions with domestic and foreign offices (FFIEC 031) having more data items than the report forms for institutions with domestic offices only (FFIEC 041). Furthermore, the amount of data required to be reported varies within the FFIEC 041 report form, primarily based on the size of the institution, but also in some cases based on activity levels. In general, the FFIEC 041 report form requires the least amount of data from institutions with less than $100 million in total assets.

The reasons for the changes that are the subject of this submission are described in detail in the agencies' initial and final Paperwork Reduction Act (PRA) Federal Register notices published on February 21, 2013, and May 23, 2013, respectively.

2. Use of Information Collected

The information collected in the Call Reports is used by the FDIC and the other federal banking agencies both on an individual institution basis and in aggregate form for supervisory, surveillance, regulatory, research, statistical, insurance assessment, and informational purposes. Call Report data for all institutions, not just the institutions under an individual banking agency's primary supervision, are available to each of the three banking agencies in order for each agency to have access to information for the insured depository institution system as a whole.

The FDIC uses the data collected in the Call Reports extensively for supervisory and surveillance purposes in an effort to detect at an early date those institutions that are experiencing deterioration or some other significant change in their condition. The underlying basis for this activity at the FDIC, as well as at the OCC and the FRB, is the goal of maintaining a safe and sound banking system and reducing the possibility of the failure of individual institutions and the concomitant exposure of the Deposit Insurance Fund administered by the FDIC. The FDIC has two major surveillance programs (EWS and UBPR) for its use in performing off-site evaluation of the condition of banks and savings associations. In addition, various quarterly management and supervisory reports used for off-site monitoring capabilities are available in web-based systems like ViSION (Virtual Supervisory Information on the Net) and distributed systems like ARIS (Automated Regional Information System).

Early Warning Systems (EWS) – The EWS is the FDIC's umbrella of off-site surveillance models that are used to monitor the condition of insured institutions between regular on-site examinations. Data collected from each institution's Call Report are subjected to a screening process in the EWS known as SCOR (Statistical CAMELS Off-site Rating). SCOR is an off-site model for insured institutions that compares an institution's financial condition against examination ratings for comparable financial institutions. SCOR derives a rating for each component of the Uniform Financial Institutions Rating System (UFIRS). The composite and component ratings are then compared to those given at the last examination and a downgrade probability is derived for each institution. Those institutions whose downgrade probability exceeds a specified level are subject to supervisory follow-up procedures including the prompt scheduling of examinations or visitations. The FDIC also has developed two off-site rating tools called GMS (Growth Monitoring System) and REST (Real Estate Stress Test) in order to effectively and efficiently monitor risk to the banking and thrift system. GMS identifies institutions that may pose greater risks due to rapid growth and/or funding issues. GMS places institutions into percentile rankings based on GMS scores. Those with the highest GMS scores are subject to formal off-site review requirements similar to SCOR. REST identifies institutions with high concentrations of commercial real estate and other exposures similar to the exposure characteristics of problem institutions and institutions that failed during the New England crisis of the late 1980s and early 1990s.

Another part of the EWS includes the Uniform Bank Performance System (UBPS). The UBPS is an on-line support subsystem that calculates for each institution approximately 300 financial ratios and accompanying peer group and ranking data and presents this information in a manner consistent with the Uniform Bank Performance Report, which is discussed below. The UBPS covers the most recent and preceding 15 quarters.

Uniform Bank Performance Report (UBPR) – This report is prepared quarterly for each insured institution from Call Report data and presents information for five periods on an institution's performance and financial statement composition in the form of ratios, percentages, and dollar amounts. Each UBPR also includes corresponding average data for the institution's peer group and percentile rankings for most ratios. The comparative and trend data contained in these reports complement the EMS data and are utilized for further off-premises review of individual institutions, particularly at the field office level. Based on an analysis of the information in the UBPR, an examiner can set the priorities for the examination of an individual institution. An institution's condition can then be evaluated during the examination in light of its recent trends and the examiner's findings can be communicated to the institution's management. Management can verify this trend data for itself in the institution's own UBPRs. UBPRs are available on-line on the Internet for access by institutions, regulators, and the public.

ViSION and ARIS – ViSION is a secure web-enabled system that was developed as a comprehensive and easy-to-use reporting source for the FDIC's supervisory and financial data. The system provides FDIC users with multiple reports that display information for a specific institution or set of institutions. ViSION provides users the ability to retrieve various supervisory and off-site reports. These various management reports are used to assist in off-site monitoring efforts and are reviewed at the regional or field office level on a regular basis. ARIS is a localized database and reporting system that includes many levels of drill-down management and supervisory reporting.

Through the use of monitoring and surveillance systems that rely on Call Report information, the FDIC is able to more effectively and efficiently allocate resources to those institutions experiencing difficulties. Also, FDIC policy requires examiners to use information from Call Reports as well as data available from monitoring and surveillance systems to assist in their pre-examination planning activities. Through pre-examination planning, examiners can determine the areas of an institution's operations and activities on which to focus their attention during their time on-site at the institution. Moreover, effective pre-examination planning can help to limit the amount of time examiners need to spend on-site during an examination. These efforts would not be feasible if Call Reports, with their emphasis on the collection of data for supervisory and surveillance purposes, were not available on a quarterly basis.

Call Reports also provide the most current statistical data available for evaluating statutory factors relating to the FDIC's consideration of institutions' applications for deposit insurance and for consent to merge, establish a branch, relocate an office, and retire capital. The amount of each individual institution's deposit insurance and Financing Corporation assessments is calculated directly by the FDIC from the data reported on the institution's Call Report. In addition, under the FDIC's risk-related insurance assessment system, Call Report data are used to help determine the risk category to which each insured institution should be assigned. The FDIC's Division of Insurance and Research uses data collected in the Call Reports to prepare quarterly reports on the condition and performance of the banking system and for numerous economic studies and analyses of trends in banking that are incorporated into reports submitted to Congress and made available to the public.

3. Use of Technology to Reduce Burden

All banks and savings associations are subject to an electronic filing requirement for Call Reports. In this regard, the agencies have created a secure shared database for collecting, managing, validating and distributing Call Report data. This database system, the Central Data Repository (CDR), was implemented in 2005 and is the only method now available for banks and savings associations to submit their Call Reports. Under the CDR system, institutions file their Call Report data via the Internet using software that contains the FFIEC's edits for validating Call Report data before submission.

4. Efforts to Identify Duplication

There is no other report or series of reports that collects from all insured banks and savings associations the information gathered through the Consolidated Reports of Condition and Income taken as a whole. There are other information collection systems which tend to duplicate certain parts of the Call Report; however, the information they provide would be of limited value as a replacement for the Call Report.

For example, the FRB collects various reports in connection with its measurement of monetary aggregates, bank credit, and the flow of funds. Reporting institutions supply the FRB with detailed information relating to such balance sheet accounts as balances due from depository institutions, loans, and deposit liabilities. The FRB also collects financial data from bank holding companies on a regular basis. Such data is presented for the holding company on a parent company only basis and, if certain conditions are met, on a consolidated basis, including the holding company's banking and nonbanking subsidiaries.

However, FRB reports from insured institutions are frequently obtained on a sample basis rather than from all insured institutions. Moreover, these reports are often prepared as of dates other than the last business day of each quarter, which would seriously limit their comparability to the Call Report. Institutions below a certain size are exempt entirely from some FRB reporting requirements. FRB data collected from bank holding companies on a consolidated basis reflect an aggregate amount for all subsidiaries within the organization, both banking and nonbanking, so that the actual dollar amounts applicable to any depository institution subsidiary are not determinable from the holding company reports. Hence, FRB reports could not be a viable replacement for even a significant portion of the Call Reports since the FDIC, in its role as supervisor of insured state nonmember banks and state savings associations, would be lacking the data necessary to assess the financial condition of individual insured institutions to determine whether there had been any deterioration in their condition.

As another example, insured institutions with either 500 or more, or 2,000 or more, shareholders (depending on charter type) or with a class of equity securities listed on a securities exchange are required by the Securities Exchange Act of 1934, as amended in 2012 by the Jumpstart Our Business Startups Act, to register their stock with their primary federal banking agency. Following the effective date of the stock registration, quarterly and annual reports, which contain financial statements, must be filed with the appropriate banking agency. Of the approximately 4,400 FDIC-supervised banks and savings associations, less than 25 have stock that is registered with the FDIC pursuant to the Securities Exchange Act. For this small number of registered institutions, quarterly and annual reports generally need not be filed until as many as 45 days and 90 days after the report date, respectively, while Call Reports generally must be received no later than 30 days after the report date. Moreover, the Call Reports have a fixed format to permit industry data aggregation by computer and automated monitoring of each individual institution's performance and condition. The financial statement format for registered institutions is generally comparable to that of the Call Report, but each institution has the flexibility to expand or contract the level of detail on individual items as circumstances warrant. Such free-form reporting would make it extremely difficult for the FDIC to substitute these registered institutions' quarterly and annual reports for Call Reports.

Finally, some of the information contained in the Call Report is also developed by FDIC examiners during regular safety and soundness examinations of insured institutions. In addition, examiners check the Consolidated Reports of Condition and Income that an institution has submitted to the FDIC between examinations to ensure that the required data have been properly reported. However, using the examination process to develop quarterly Call Report data would be unworkable since one of the principal purposes of the supervisory and surveillance emphasis on the use of these data is for off-site monitoring of the condition and performance of individual institutions between examinations. Furthermore, examinations are conducted as of various dates throughout the year and at differing time intervals for different institutions. Thus, the examination process could not supply the banking agencies with financial data on a timely basis for all insured institutions as of fixed dates each year.

5. <u>Minimizing the Burden on Small Institutions</u>

Pursuant to regulations issued by the Small Business Administration (13 CFR 121.201), a "small entity" includes depository institutions with assets of $175 million or less. There are more than 4,400 insured state nonmember banks and state savings associations that are supervised by the FDIC. Of this number, approximately 2,450 have total assets of $175 million or less. As stated in Item 1 of this supporting statement, the Call Report requires the least amount of data from institutions with less than $100 million in total assets. The next least amount of data is collected from institutions with $100 million to $300 million in total assets.

Aside from the scope revision clarifying where certain already reportable transactions should be reported in the equity capital reconciliation schedule, the proposed Call Report changes that are the subject of this submission apply only to institutions with $10 billion or more in total assets. Thus, it will have no impact on small institutions.

6. <u>Consequences of Less Frequent Collection</u>

Less frequent collection of Call Reports would reduce the FDIC's ability to identify on a timely basis those institutions that are experiencing adverse changes in their condition so that appropriate corrective measures can be implemented to restore their safety and soundness. Such identification cannot be accomplished through periodic on-site examinations alone. To allocate its examination resources in the most efficient manner, off-site analysis of Call Report data to single out institutions in need of accelerated on-site follow-up must be performed (see Section 2 above). Submission of the Consolidated Reports of Condition and Income less frequently than quarterly would permit deteriorating conditions at institutions to fester considerably longer before they would be detected through the FDIC's computer-based monitoring systems, through the fortunate scheduling of an examination, or by other means. Such institutions would therefore run a greater risk of failure because of delays in effecting corrective action, either on institution management's own initiative or at the behest of the FDIC.

7. Special Circumstances

There are no special circumstances.

8. Summary of Public Comments

On February 21, 2013, the agencies published an initial PRA Federal Register notice requesting comment on a number of proposed revisions to the Call Report for implementation as of the June 30, 2013, report date, except for one new data item proposed to be added to the Call Report effective December 31, 2013.[2] The agencies collectively received comments on their proposal from 33 entities: 20 banking organizations, seven bankers' associations, four consumer advocacy organizations, one life insurers' association, and one government agency. After considering these comments, the FFIEC and the agencies are proceeding at this time only with two of the proposed Call Report revisions: (1) the scope revision affecting the reporting of certain changes in bank equity capital on Schedule RI-A; and (2) the reporting changes for large and highly complex institutions for deposit insurance assessment purposes. The agencies made certain modifications to the proposed assessment data changes in response to comments received. The effective date of these reporting changes would be June 30, 2013, as had been proposed. The agencies also decided to continue collecting two existing items on the amount and number of noninterest-bearing transaction accounts of more than $250,000 from all institutions through December 31, 2013, after which these items would be eliminated.

As for the other reporting changes included in the agencies' February 2013 initial PRA Federal Register notice, the FFIEC and the agencies are continuing to evaluate these proposals in light of the comments received and they are not included in this request for OMB approval. Because the disposition of these additional proposed Call Report revisions has not yet been determined, they would take effect no earlier than December 31, 2013, or March 31, 2014, depending on the revision.

With respect to the Call Report changes that are the subject of this request, the agencies received no comments on the proposed revision to the scope of the existing item in the equity capital reconciliation schedule. Accordingly, this change will be incorporated into the Call Report effective June 30, 2013, as proposed. The agencies' February 2013 initial PRA Federal Register notice also proposed to add certain new items and revise several existing items to the portion of Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, applicable to large institutions and highly complex institutions, which generally are institutions with $10 billion or more in total assets. These institutions' deposit insurance assessment rates are determined in accordance with the "large bank pricing rule" set forth in the FDIC's assessment regulations (12 CFR Part 327), which was originally adopted by the FDIC in February 2011[3] and amended in October 2012.[4] In their February 2013 initial PRA Federal Register notice, the agencies proposed revisions to the data that large institutions and highly complex institutions report to support the calculations made under FDIC's amended large bank pricing rule for insurance

[2] 78 FR 12141.

[3] *See* 76 FR 10672, February 25, 2011.

[4] *See* 77 FR 66000, October 31, 2012.

assessments. The agencies proposed that these assessment-related Call Report revisions take effect June 30, 2013, the first report date after the April 1, 2013, effective date of the FDIC's October 2012 amendments to the large bank pricing rule. The proposed reporting changes included a new table of consumer loans by loan type and probability of default band, new data items providing information on loans secured by real estate in foreign offices, revisions of certain existing data items on real estate loan commitments and U.S. government-guaranteed real estate loans to include those in foreign offices, and revisions to the information collected on government-guaranteed assets to include the portion of non-agency residential mortgage-backed securities and loans covered under FDIC loss-sharing agreements.

In a joint letter, three bankers' associations[5] commented on several aspects of the Schedule RC-O reporting changes applicable to large institutions and highly complex institutions. These commenters generally supported the proposed revisions, but recommended some modifications as discussed below.

First, these associations recommended clarification of the definition of "higher-risk commercial and industrial loans and securities" in the draft of the revised Call Report instructions for Schedule RC-O, Memorandum item 9, to exclude loans to individuals for commercial, industrial, and professional purposes. The bankers' associations also commented that commercial loans of at least $5 million to individuals to finance material acquisitions, buyouts, or capital distributions are exceedingly rare, so excluding loans to individuals from being reported as "higher-risk C&I loans and securities" would not have a noticeable impact on the aggregate amount of such higher-risk assets. Adding an exclusion for loans to individuals for commercial, industrial, and professional purposes to the draft revised Memorandum item 9 instructions would be consistent with the existing instructions for reporting leveraged loans and securities in Memorandum item 9. The agencies have agreed to clarify the draft revised Memorandum item 9 instructions to add this exclusion.

The bankers' associations also commented that it is unclear how an institution could evaluate loans to proprietorships and partnerships against the definition of "higher-risk C&I loans and securities," asserting that the financial statements of such firms do not include the data needed to calculate the leverage and materiality tests included in the definition. However, because "higher-risk C&I loans and securities," as defined, include certain loans with an original amount of at least $5 million, the agencies do not agree with this assertion and would expect that institutions, when lending such an amount to a commercial borrower, including a sole proprietorship or partnership, would regularly obtain financial statements that include the necessary data to determine debt levels and calculate debt-to-EBITDA[6] ratios. The decision to exclude loans to individuals for commercial, industrial, and professional purposes from "higher-risk C&I loans and securities" was based upon the fact that EBITDA cannot be calculated for an individual;[7] however, this is not the case for a commercial borrower operating as a sole proprietorship or

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[5] The American Bankers Association, the Financial Services Roundtable, and the Consumer Bankers Association.

[6] EBITDA is defined as earnings before interest, taxes, depreciation, and amortization.

[7] Under U.S. generally accepted accounting principles, personal financial statements prepared for individuals for such purposes as obtaining credit include a statement of financial condition that presents assets at their estimated current values and liabilities at their estimated current amounts. The presentation of a statement of changes in net worth is optional. See Accounting Standards Codification Topic 274, Personal Financial Statements.

partnership. Therefore, the definition of higher-risk C&I loans will not exclude loans to sole proprietorships and partnerships.

Second, the three associations recommended that large and highly complex institutions with foreign offices report the proposed breakdown of their "loans secured by real estate" for the consolidated institution (i.e., for both domestic and foreign offices) in Schedule RC-C, part I, rather than in new Memorandum items in Schedule RC-O as had been proposed. All institutions with foreign offices file the FFIEC 031 version of the Call Report and they currently report a nine-category breakdown of their loans secured by real estate in domestic offices, but at present they report only the total amount of loans secured by real estate for the consolidated institution. The associations asserted that requiring only those institutions with foreign offices that are large or highly complex institutions to include the real estate breakdown in Schedule RC-C, part I, could be dealt with instructionally and would not cause confusion since special instructions are already in place to explain which subsets of institutions are required to report certain types of loan data in Schedule RC-C, part I. The agencies agree with the associations' recommendation. Accordingly, Schedule RC-C, part I, on the FFIEC 031 version of the Call Report would be revised to include the nine-category breakdown of loans secured by real estate for the consolidated institution. The Call Report instructions and the FFIEC 031 Call Report form would state that this breakdown is to be provided only by large and highly complex institutions.

Third, the three bankers' associations recommended that, in the two-year probability of default table proposed to be added to Schedule RC-O, the separate items for revolving, open-end loans secured by first and junior liens on 1-4 family residential properties and extended under lines of credit should be combined into a single item. The associations stated that because Schedule RC-C, part I, Loans and Leases, does not currently require institutions to separately report first and junior lien revolving credits, institutions' reporting systems are not currently designed to separately identify these credits. As a consequence, the associations questioned the merits of imposing such a systems change on institutions given the cost and burden that would be involved. The agencies agree with the associations' recommendation and would revise the two-year probability of default table so that large and highly complex institutions would report the two-year probability of default for all revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit without regard to their lien position.

Fourth, the three associations' comment letter stated that, based on the provisions of the FDIC's October 2012 assessments final rule, large and highly complex institutions expected that Schedule RC-O would be revised to require them to report higher-risk securitizations separately from nontraditional 1-4 family residential mortgage loans, higher-risk consumer loans, and higher-risk C&I loans. The associations indicated that large and highly complex institutions would prefer to report these higher-risk securitizations separately from the three categories of higher-risk loans. The associations further believe that the separate reporting of higher-risk securitizations would allow the FDIC and the other banking agencies to examine the validity of the associations' previous argument that the structure of a securitization should be considered when determining whether a securitization is truly higher-risk. The agencies agree that reporting higher-risk securitizations separately from higher-risk loans, as recommended by the associations, would be beneficial. Accordingly, the agencies would split Memorandum items 7, 8, and 9 of Schedule RC-O into two items each, which will enable large and highly complex institutions to report the amount of securitizations of (1) nontraditional 1-4 family residential mortgage loans (Memorandum item 7.b), (2) higher-risk consumer loans (Memorandum item 8.b), and (3) higher-risk C&I loans (Memorandum item 9.b) separately from the three categories of higher-risk loans themselves (Memorandum items 7.a, 8.a, and 9.a). Separate reporting of these three categories of higher-risk securitizations would allow the FDIC to better track and analyze the composition of a bank's higher-risk assets.

Fifth, Schedule RC-O, Memorandum items 10.a and 10.b, provide certain data on unfunded commitments for construction, land development, and other land loans secured by real estate (construction loans) while Memorandum items 13.a through 13.d collect data on the U.S. government-guaranteed or -insured portion of four categories of funded loans secured by real estate. The agencies proposed to revise these existing Schedule RC-O Memorandum items on the FFIEC 031 version of the Call Report by expanding their scope to include commitments and loans in both foreign and domestic offices rather than only domestic offices. The three bankers' associations agreed that this proposed change would enable large and highly complex institutions with foreign offices to "report more accurately the balances needed for Large Bank Pricing," but their letter stated that these institutions would not have sufficient time to be prepared to report as of June 30, 2013, their commitments to fund construction loans in foreign offices, the portion of such unfunded commitments that are guaranteed or insured by the U.S. government, and the portion of the four categories of funded real estate loans in foreign offices that are guaranteed or insured by the U.S. government. The agencies acknowledge that large and highly complex institutions with foreign offices may need additional time to comply with the expanded scope of Memorandum items 10.a, 10.b, and 13.a through 13.d of Schedule RC-O. Accordingly, the reporting of foreign office data in these Memorandum items would be optional for June 30, 2013, and required beginning September 30, 2013.[8] A large or highly complex institution that opts not to report the foreign office data in Memorandum items 10.a, 10.b, and 13.a through 13.d of Schedule RC-O when it initially files its Call Report for June 30, 2013, would be permitted, but not required, to amend the amounts originally reported in these Schedule RC-O Memorandum items for June 30 after it has the systems in place to gather the necessary foreign office data.

In their February 2013 initial PRA Federal Register notice, the agencies requested comment on their continued collection of Memorandum items 5.a and 5.b of Schedule RC-O on the amount and number of noninterest-bearing transaction accounts of more than $250,000 for which temporary unlimited deposit insurance coverage ended on December 31, 2012. In their joint comment letter, the three bankers' associations encouraged the agencies to discontinue collecting these items because the need to monitor the volume of deposits covered by the temporary unlimited deposit insurance is no longer relevant. The associations also noted the reporting burden associated with these Memorandum items and stated that the agencies can analyze other deposit data collected in the Call Report to monitor significant deposit runoff. The agencies recognize there is ongoing burden associated with the continued collection of these data and, accordingly, the agencies' burden estimates for the Call Report continue to include the estimated burden of the two Schedule RC-O Memorandum items.

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[8] Large and highly complex institutions with foreign offices would continue to be required to report domestic office data in Memorandum items 10.a, 10.b, and 13.a through 13.d of Schedule RC-O in their Call Reports for June 30, 2013.

The March 2013 Call Report data on noninterest-bearing transaction accounts of more than $250,000 have recently become available, allowing the agencies to track any initial movements of these funds and accounts since year-end 2012. Nevertheless, whether migrations of these balances and accounts among individual insured institutions and within the entire depository institution system will begin or continue to occur, including monitoring whether any initial declines in noninterest-bearing transaction accounts of more than $250,000 are temporary, remains to be seen. The behavior of these deposit accounts following their reduction in deposit insurance coverage also will inform any future deliberations about temporary increases in deposit insurance and their subsequent effects. Nevertheless, to provide certainty to institutions about the extent to which they will need to continue supplying data on the amount and number on noninterest-bearing transaction accounts of more than $250,000, the agencies have agreed to terminate the collection of Memorandum items 5.a and 5.b after the December 31, 2013, report date.

9. Payment or Gift to Respondents

No payment or gift will be provided to respondents.

10. Confidentiality

At present, all data items collected from individual institutions in the Call Report are publicly available with the exception of the amounts institutions report in Schedule RI-E, item 2.g, “FDIC deposit insurance assessments”; Schedule RC-F, item 6.f, “Prepaid deposit insurance assessments” (which will be removed from the Call Report effective June 30, 2013); and Schedule RC-P, items 7.a and 7.b, for representation and warranty reserves for 1-4 family residential mortgages sold made to specified parties; and the information that large and highly complex institutions report on criticized and classified items, nontraditional 1-4 family residential mortgage loans, higher-risk consumer loans, higher risk commercial and industrial loans and securities, top 20 counterparty exposures, and largest counterparty exposure for assessment purposes in Schedule RC-O, items 6 through 9, 14, and 15, which are used as inputs to scorecard measures in the FDIC’s deposit insurance assessment system for large institutions and highly complex institutions. The data to be reported by large institutions and highly complex institutions in the new table of consumer loans by loan type and probability of default band, which is one of the proposed Call Report revisions for which OMB approval is being requested, would also be treated as confidential on an individual institution basis. In addition, contact information for depository institution personnel that is provided in institutions’ Call Report submissions is not available to the public.

11. Information of a Sensitive Nature

The Call Report contains no questions of a sensitive nature.

12. Estimate of Annual Burden

It is estimated that, on average, it will take an FDIC-supervised institution approximately 40.57 hours each quarter to prepare and file its Call Report on an ongoing basis. This estimate reflects the average ongoing reporting burden for all FDIC-supervision institutions after large institutions and highly complex institutions (generally, institutions with $10 billion or more in total assets) complete any necessary recordkeeping and systems changes to enable them to complete the proposed new and revised assessment-related data items in Call Report Schedule RC-C, part I, and Schedule RC-O, which are the primary subjects of this submission.

The estimated annual ongoing reporting burden for the 4,404 FDIC-supervised institutions to prepare and file the Call Report as it is proposed to be revised effective June 30, 2013, is 714,681 hours. The annual ongoing reporting burden has been estimated by considering the varying numbers of Call Report data items potentially reportable by institutions of different sizes and with foreign offices and the extent to which such institutions will actually have amounts to report in these data items as a result of the activities and transactions in which they are engaged. Then, based on the agency staff's understanding of institutions' recordkeeping and reporting systems and their customary and usual business practices, professional judgment has been applied to arrive at a burden estimate for the Call Report. The average ongoing reporting burden to prepare and file the Call Report is estimated to range from 17 to 720 hours per quarter, depending on an individual institution's circumstances.

For FDIC-insured institutions, Call Report data as of December 31, 2012, indicate that salaries and employee benefits per full-time equivalent employee currently average about $38.25 per hour. Thus, for all 4,404 FDIC-supervised institutions, the annual recurring salary and employee benefit cost for the Call Report burden hours shown above is estimated to be $27.3 million. This cost is based on the application of the $38.25 average hourly rate to the estimated total ongoing annual reporting burden of 714,681 hours.

13. Estimate of Total Annual Cost Burden

Depository institutions maintain extensive internal recordkeeping systems from which financial statements and tax returns are prepared and other reports are generated so that institution management can keep informed about their institution's condition and performance and have the data necessary to operate their institution in a safe and sound manner. These records also serve as a source for the data submitted in the Call Reports, although institutions generally maintain some records solely to enable them to complete these reports. Computerized institutions commonly have software and programs that compile the data that need to be reported in the Call Report. An institution's records may be generated and processed internally, externally by an outside servicer, or by a combination of both methods. In addition, virtually all institutions now use software to assist in the actual preparation of the Call Report.

The estimate of annual burden cited above in Section 12 is primarily the estimated ongoing burden for the quarterly filing of the Call Report. The total operation and maintenance and purchase of services component of the total annual cost burden to FDIC-supervised institutions (excluding costs included in Item 12 above) is estimated to be $19.7 million. This cost is based on the application of an average hourly rate of $27.50 to the estimated total hours of estimated annual reporting burden of 714,681. Thus, this estimate reflects recurring expenses (not included in Item 12 above) incurred by all FDIC-supervised institutions in the Call Report preparation and filing process, including expenses associated with software, data processing, and institution records that are not used internally for management purposes but are necessary to complete the Call Report.

The Call Report revisions that are the subject of this submission are largely limited to assessment-related data changes applicable only to the large institutions and highly complex institutions. Only 26 of the 4,404 FDIC-supervised institutions are large institutions or highly complex institutions that will be affected by the assessment-related changes to the Call Report. Capital and start-up costs associated with the Call Report changes that are the subject of this submission will vary from affected institution to affected institution depending upon an institution's individual circumstances, particularly the composition of its loan portfolio. Thus, an estimate of this cost component cannot be determined at this time.

As for the effect of the Call Report revisions that are the subject of this submission on the overall ongoing cost and reporting burden imposed by the Call Report, the new and revised assessment-related data – particularly the new table of consumer loans by loan type and probability of default band – will cause a noticeable increase in reporting burden for large institutions and highly complex institutions. However, since only about 0.5 percent of FDIC-supervised institutions are large institutions or highly complex institutions, the effect of the burden increase on this small group, when spread across all FDIC-supervised institutions, is expected to only nominally increase the overall cost and reporting burden imposed by the Call Report.

14. Estimate of Total Annual Cost to the Federal Government

The current annual cost to the FDIC of the Call Report information collection system is estimated to be not more than $10.0 million. This amount includes the cost of:

- developing reporting requirements, instructions, and data validation edits;
- computer processing and hosting, including maintaining and modifying software programs, associated with the CDR system for collecting and validating Call Reports; and
- FDIC personnel involved in the preceding tasks and in the review and validation of reported data.

The cost to implement the Call Report revisions that are the subject of this submission is encompassed within this annual cost and is not separately identifiable.

15. Reason for Change in Burden

The change in burden associated with this submission is caused by two factors: (a) a net decrease in the number of reporting institutions supervised by the FDIC, and (b) the changes to the Call Report that are the subject of this submission.

At present, there are 4,404 FDIC-supervised institutions, which is 127 less than previously reported (4,531 previously versus 4,404 now). As already stated, the proposed new and revised assessment-related Call Report items that are the principal subject of this submission generally will apply only to institutions with $10 billion or more in total assets. Thus, the FDIC estimates that the overall effect of the proposed reporting revision across the full range of institutions under its supervision would be a nominal increase in the burden estimate per response. The analysis of the change in burden for the Call Report as it is proposed to be revised effective June 30, 2013, is as follows:

Currently approved burden	735,109 hours
Revisions to content of report (program change)	+ 176 hours
Adjustment (change in use)	- 20,604 hours
Requested (new) burden	714,681 hours
Net change in burden:	- 20,428 hours

16. Publication

The information collected in Call Reports from FDIC-supervised institutions is primarily intended to meet the FDIC's internal needs (see Item 2 above). However, except for the limited number of Call Report data items and the depository institution contact information identified in Item 10 above as receiving confidential treatment, the FDIC makes individual institutions' entire Call Reports available to the public on the Internet. These data can be accessed on the FFIEC CDR Public Data Distribution Web site (https://cdr.ffiec.gov/public/).

Summary statistical data that provide a financial profile of each individual FDIC-insured institution also are available to the public on the Internet. The financial information is taken from the Call Report (and, through December 31, 2011, the Thrift Financial Report (TFR) for FDIC-insured savings associations) and includes balance sheet, income statement, and other key data for several periods. Regulatory capital ratios and profitability ratios such as return on assets and return on equity also are provided. In addition, interested persons can purchase a computer tape containing the quarterly Call Report information for all institutions from the National Technical Information Service of the U.S. Department of Commerce.

Data from the Call Report (and, through December 31, 2011, the TFR for FDIC-insured savings associations) also form the basis for certain quarterly FDIC publications, including the Quarterly

Banking Profile, Statistics on Banking, and Statistics on Depository Institutions, which present a variety of statistical data on the banking industry. These publications are available on the Internet.

The UBPR, which the agencies process using the CDR system, is generated using Call Report data as its primary input. The UBPR is also publicly available for individual banks (and for individual savings associations beginning with the March 31, 2012, report date) on the FFIEC CDR Public Data Distribution Web site.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.