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 revise, without extension, 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 revise the regulatory capital components and ratios portion of Schedule RC-R, Regulatory Capital, in the Call Reports. The proposed revisions to the Call Report are consistent with the revised regulatory capital rules approved by the agencies during July 2013 (revised regulatory capital rules).[1] Institutions subject to the advanced approaches risk-based capital rules (advanced approaches institutions) that are not savings and loan holding companies would begin reporting, if applicable, on the proposed revised Call Report Schedule RC-R effective March 31, 2014. All other institutions that are required to file the Call Report would begin reporting on proposed revised Call Report Schedule RC-R effective March 31, 2015. The current annual burden for the Call Reports is estimated to be 187,820 hours and the proposed revisions are estimated to increase the annual burden by 5,349 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

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[1] See www.occ.treas.gov/news-issuances/news-releases/2013/nr-occ-2013-110.html, July 9, 2013 (OCC); www.federalreserve.gov/newsevents/press/bcreg/20130702a.htm, July 2, 2013 (Board); and www.fdic.gov/news/news/press/2013/pr13060.html, July 9, 2013 (FDIC).

> 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

Call Report Schedule RC-R collects regulatory data on tier 1, tier 2, and total capital and regulatory capital ratios (regulatory capital components and ratios portion) and on risk-weighted assets (risk-weighted assets portion). The agencies are proposing to revise the reporting requirements for the regulatory capital components and ratios portion of Call Report Schedule RC-R, consistent with the revised regulatory capital rules. Compared to the current schedule, the proposed regulatory capital components and ratios portion of Schedule RC-R would provide a more detailed breakdown of the regulatory capital elements, including deductions and adjustments, consistent with the revised regulatory capital rules. For report dates in 2014, the regulatory capital components and ratios portion of Schedule RC-R would be designated Parts I.A and I.B. Call Report filers that are not advanced approaches institutions[2] would file Part I.A, which would include existing data items 1 through 33 of current Schedule RC-R. Call Report filers that are subject to advanced approaches and to the revised regulatory capital rule effective January 1, 2014, would file Part I.B, which would include the reporting revisions proposed herein consistent with the revised regulatory capital rules. In March 2015, Part I.A would be removed and Part I.B would be designated Part I; all Call Report filers would then submit Part I. The proposed changes to Call Report Schedule RC-R are discussed in more detail below.

The agencies expect to publish at a later date a request for comment on a separate proposal to revise the risk-weighted assets portion of Call Report Schedule RC-R to incorporate the standardized approach for calculating risk-weighted assets under the revised regulatory capital rules. The revisions to the risk-weighted assets portion of Schedule RC-R would take effect March 31, 2015. The agencies are proposing changes to Schedule RC-R in two stages to allow interested parties to better understand the proposed revisions and focus their comments on

[2] An advanced approaches institution as defined in the agencies' revised regulatory capital rules (i) has consolidated total assets (excluding assets held by an insurance underwriting subsidiary) on its most recent year-end regulatory report equal to $250 billion or more; (ii) has consolidated total on-balance sheet foreign exposure on its most recent year-end regulatory report equal to $10 billion or more (excluding exposures held by an insurance underwriting subsidiary); (iii) is a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 325 (FDIC) to calculate its total risk-weighted assets; (iv) is a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to 12 CFR part 217 to calculate its total risk-weighted assets; or (v) elects to use the advanced approaches to calculate its total risk-weighted assets.

areas of particular interest. Therefore, for report dates in 2014, all Call Report filers would continue to report risk-weighted assets in the portion of Schedule RC-R that contains existing data items 34 through 62 and Memorandum items 1 and 2 of current Schedule RC-R, but this portion of the schedule would be designated Part II and the data items would be renumbered beginning with item 1.

Timing of Implementation of the Proposed Reporting Requirements

Call Report Filers

Call Report filers that are not subject to the advanced approaches rules would continue to report their regulatory capital data and regulatory capital ratios using the current template of Schedule RC-R, which would be designated Part I.A, during the reporting periods in 2014.[3] These institutions would begin using proposed Schedule RC-R, Part I.B, to report their regulatory capital data and regulatory capital ratios effective March 31, 2015, at which time Part I.B would be relabeled Part I and Part I.A would be eliminated.

Advanced Approaches Banking Organizations

Reporting regulatory capital: An advanced approaches banking organization that is not a savings and loan holding company would use proposed Call Report Schedule RC-R, Part I.B, if applicable, to report its regulatory capital consistent with the revised regulatory capital rules, effective March 31, 2014.

Reporting risk-weighted assets and regulatory capital ratios: An advanced approaches banking organization that is in a parallel run period would apply the generally applicable risk-based capital rules for report dates in 2014[4] and the standardized approach for report dates beginning in 2015 to report its risk-weighted assets and capital ratios on proposed Call Report Schedule RC-R, Part I.B (in 2014, which would be designated Part I in 2015), if applicable (line items 40 through 43, Column A).

Beginning in 2014, an advanced approaches banking organization that conducts a satisfactory parallel run would report its advanced approaches risk-weighted assets and risk-based capital ratios on proposed revised Call Report Schedule RC-R, Part I.B, if applicable (line item 40.b and line items 41 through 43, Column B).

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[3] For report dates in 2014, the regulatory capital components and ratios portion of Schedule RC-R would be presented as two parts. Part 1.A would be identical to the current regulatory capital components and ratios portion of Schedule RC-R and it would be used by Call Report filers that are not subject to the advanced approaches rules. Part I.B would be the proposed revised regulatory capital components and ratios portion of Schedule RC-R and it would be used by Call Report filers that are subject to the advanced approaches rules. Starting on the March 31, 2015, report date, Part I.A would be eliminated and the proposed Part I.B of Schedule RC-R would be relabeled Part I, would be the only template for reporting regulatory capital data and regulatory capital ratios, and would be used by all Call Report filers.

[4] The agencies' general risk-based capital rules are at 12 CFR part 3, appendix A, and 12 CFR part 167 (OCC); 12 CFR parts 208 and 225, appendix A (Board); and 12 CFR part 325, appendix A, and 12 CFR part 390, subpart Z (FDIC).

Supplementary leverage ratio and capital buffer: All advanced approaches banking organizations, regardless of their parallel run status, would report their supplementary leverage ratio effective March 31, 2015, on proposed revised Call Report Schedule RC-R, Part I (as relabeled in 2015), if applicable (line item 44). All banking organizations would report the applicable capital buffer effective March 31, 2016, on proposed Call Report Schedule RC-R, Part I (as relabeled in 2015), if applicable (line items 45 through 47).

Initial Reporting

For the March 31, 2014, and March 31, 2015, report dates, as applicable, institutions may provide reasonable estimates for any new or revised Call Report items initially required to be reported as of that date for which the requested information is not readily available.

Proposed Call Report Schedule RC-R, Part I.B

This section describes the proposed changes to Call Report Schedule RC-R to implement the reporting of regulatory capital information and ratios consistent with the revised regulatory capital rules. As previously discussed, effective March 31, 2014: (1) the existing regulatory capital ratios portion of Schedule RC-R would be designated Part I.A and would be completed by institutions that are not advanced approaches institutions during the 2014 reporting periods, and (2) a new Part I.B would be added to Schedule RC-R effective March 31, 2014, and would be completed by advanced approaches institutions during the 2014 reporting period. Then, effective March 31, 2015, Part I.A would be eliminated, Part I.B would be redesignated Part I of Schedule RC-R, and all institutions would complete Part I. Call Report filers should refer to the revised regulatory capital rules and the proposed reporting instructions for further information. The proposed reporting instructions also provide guidance on how to calculate and report items subject to the transition provisions under section 300 of the revised regulatory capital rules.

Proposed Part I.B of Schedule RC-R would be divided into the following sections: (A) common equity tier 1 capital; (B) common equity tier 1 capital: adjustments and deductions; (C) additional tier 1 capital; (D) tier 2 capital; (E) total assets for the leverage ratio; (F) capital ratios; and (G) capital buffer. A brief description of each of these sections and the corresponding line items is provided below.

A. Schedule RC-R, Part I.B, items 1-5: Common equity tier 1 capital

Proposed line items 1 through 5 would collect information regarding the new regulatory capital component, common equity tier 1 capital. The proposed line items align with the elements of common equity tier 1 capital under the revised definition of capital, including (item 1) common stock plus related surplus (net of treasury stock and unearned employee stock ownership plan shares), (item 2) retained earnings, (item 3) accumulated other comprehensive income (AOCI), and (item 4) common equity tier 1 minority interests.[5] As explained in section 21 of the revised regulatory capital rules, an institution may include a limited amount of

[5] Under current GAAP, minority interests are referred to as noncontrolling interests. In this regard, on the Call Report balance sheet (Schedule RC), such interests are labeled "Noncontrolling (minority) interests in consolidated subsidiaries."

common equity tier 1 minority interest in a consolidated subsidiary that is a depository institution or a foreign bank in its common equity tier 1 capital. Line item 5 collects the sum of items 1 through 4 to determine common equity tier 1 capital before adjustments and deductions.

For purposes of reporting line item 3, AOCI, an institution that is not subject to the advanced approaches rules may make a one-time election to opt out of the requirement to include most components of AOCI in common equity tier 1 capital (AOCI opt-out election). An institution that makes an AOCI opt-out election must report "Yes" in line item 3.a and report the amounts in line items 9.a, 9.b, 9.c, 9.d, and 9.e. An institution that is not an advanced approaches institution would make this election when it completes Schedule RC-R in its Call Report for March 31, 2015 (or, for an institution that becomes insured after March 31, 2015, in the first Call Report it files after becoming insured). If an institution makes an AOCI opt-out election, the transition provisions for AOCI under section 300 of the revised regulatory capital rules would not apply to the reporting of AOCI in line item 3.

All advanced approaches banking organizations that file the Call Report and all other insured depository institutions that choose not to make the AOCI opt-out election must report "No" in line item 3.a and complete line item 9.f. In addition, such institutions must report AOCI in item 3 subject to the transition provisions, as described in section 300 of the revised regulatory capital rules and the corresponding instructions.

B. Schedule RC-R, Part I.B, items 6-19: Common equity tier 1 capital: adjustments and deductions

Proposed line items 6 through 18 reflect adjustments and deductions to common equity tier 1 capital, as described in section 22 of the revised regulatory capital rules. Institutions must refer to the revised regulatory capital rules to determine the conditions under which deferred tax liabilities (DTLs) may be netted against assets subject to deduction. An institution would calculate and report the following adjustments and deductions, as described below, which would be summed in line item 18 and deducted from common equity tier 1 capital in line item 19.

<u>Schedule RC-R, Part I.B, item 6: LESS: Goodwill net of associated deferred tax liabilities (DTLs)</u>: Goodwill is reported and deducted from common equity tier 1 capital.

<u>Schedule RC-R, Part I.B, item 7: LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs</u>: Intangible assets, other than goodwill and MSAs, net of associated DTLs, must be deducted from common equity tier 1 capital.

<u>Schedule RC-R, Part I.B, item 8: LESS: Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs</u>: An institution must deduct DTAs that arise from operating loss and tax credit carryforwards, net of any related valuation allowances and net of associated DTLs, from common equity tier 1 elements.[6]

[6] DTAs arising from temporary differences that the banking organization could realize through net operating loss carrybacks are not subject to deduction and instead receive a 100 percent risk weight.

Schedule RC-R, Part I.B, item 9: AOCI-related adjustments: An institution that makes an AOCI opt-out election in line item 3.a would adjust its common equity tier 1 capital by reporting the amount of specified AOCI components in line items 9.a, 9.b, 9.c, 9.d, and 9.e, that is, net unrealized gains (losses) on available-for-sale (AFS) securities; net unrealized loss on AFS preferred stock classified as an equity security under GAAP and AFS equity exposures; accumulated net gains (losses) on cash flow hedges; amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans; and net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.

An advanced approaches banking organization that files the Call Report and any other insured depository institution that chooses not to make the AOCI opt-out election would report in line item 9.f any accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable tax effects, that relate to the hedging of items that are not recognized at fair value on the balance sheet.

Schedule RC-R, Part I.B, item 10: LESS: Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions: Under the revised regulatory capital rules, institutions must make the following deductions from or additions to common equity tier 1 capital.

Schedule RC-R, Part I.B, item 10.a: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk: An institution would report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities measured at fair value on the balance sheet that are due to changes in its own credit risk. Advanced approaches banking organizations would include the credit spread premium over the risk-free rate for derivatives that are liabilities.

Schedule RC-R, Part I.B, item 10.b: LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions: An institution would report in line item 10.b the total of the following deductions and additions:

(1) *Gain-on-sale associated with a securitization exposure:* An institution must deduct from common equity tier 1 capital any after-tax gain-on-sale associated with a securitization exposure. Gain-on-sale means an increase in the equity capital of the institution resulting from the consummation or issuance of a securitization (other than an increase in equity capital resulting from the institution's receipt of cash in connection with the securitization).

(2) *Defined benefit pension fund net assets net of associated DTLs:* Defined benefit pension fund assets, net of any associated DTLs, must be deducted from common equity tier 1 capital. (This deduction does not pertain to defined benefit pension fund net assets owned by depository institutions.)

(3) *Investments in own regulatory capital instruments:* To avoid double-counting of regulatory capital, an institution must deduct any investments in its own common equity tier 1, own additional tier 1, and own tier 2 capital instruments from its common equity tier 1, additional tier 1, and tier 2 capital elements, respectively. Any common equity tier 1, additional tier 1, or tier 2 capital instrument issued by the institution which the institution could be contractually obligated to purchase must be deducted from its common equity tier 1, additional

tier 1, or tier 2 capital elements, respectively. If an institution already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital elements, it does not need to make such deduction twice.

(4) *Reciprocal cross holdings in the capital instruments of financial institutions:* A reciprocal cross holding results from a formal or informal arrangement between two financial institutions to swap, exchange, or otherwise intend to hold each other's capital instruments. Institutions must deduct reciprocal holdings of capital instruments of other financial institutions in certain circumstances. The deduction is made by using the corresponding deduction approach as described in section 22(c) of the revised regulatory capital rules. The corresponding deduction approach requires the institution to make the deduction from the tier of capital for which the instrument would qualify. However, if the institution does not have a sufficient amount of the tier of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital. For example, if an institution is required to deduct a certain amount of regulatory capital from additional tier 1 capital and it does not have sufficient additional tier 1 capital to effectuate the deduction, then the amount of the deduction in excess of the available additional tier 1 capital must be made from common equity tier 1 capital.

(5) *Equity investments in financial subsidiaries:* An institution must deduct the aggregate amount of its outstanding equity investments, including retained earnings, in its financial subsidiaries[7] from common equity tier 1 capital and may not consolidate the assets and liabilities of a financial subsidiary with those of the parent institution. No other deduction is required for these investments in the capital instruments of financial subsidiaries.

(6) *Advanced approaches banking organizations that file Call Report*: After such an institution conducts a satisfactory parallel run, it would include expected credit losses that exceed its eligible credit reserves in this line item.

<u>Schedule RC-R, Part I.B, item 11: LESS: Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments</u>: Non-significant investments in the capital of unconsolidated financial institutions are investments where an institution owns 10 percent or less of the issued and outstanding common shares of an unconsolidated financial institution. An institution must deduct the amount of its non-significant investments that exceeds the 10 percent threshold for non-significant investments (calculated as described in section 22(c)(4) of the revised regulatory capital rules and in the reporting instructions for this line item), applying the corresponding deduction approach.

<u>Schedule RC-R, Part I.B, item 12: Subtotal</u>: An institution would report the amount in item 5 less the amounts in items 6 through 11. The amount reported in this item is used to calculate the common equity tier 1 capital deduction thresholds that are used for reporting items 13, 14, 15, and 16.

<u>Schedule RC-R, Part I.B, items 13 through 16: LESS: Items subject to the 10 and 15 percent common equity tier 1 capital threshold deductions</u>: An institution must report the amount of each of the following items that individually exceeds the 10 percent common equity

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[7] The agencies' definitions of financial subsidiary are at 12 CFR 5.39 (OCC); 12 CFR 208.77 (Board); and 12 CFR 362.17 (FDIC).

tier 1 capital deduction threshold (that is, 10 percent of the amount reported in line item 12). These items are referred to as items subject to the threshold deductions in section 22(d) of the revised regulatory capital rules and include: (1) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances and net of DTLs; (2) MSAs net of associated DTLs; and (3) significant investments in the capital of financial institutions in the form of common stock.

The aggregate amount of the items subject to the threshold deductions (that are not deducted in line items 13, 14, and 15) are not permitted to exceed 15 percent of an institution's common equity tier 1 capital. The aggregate amount in excess of the 15 percent threshold, if any, calculated in accordance with section 22(d)(2) of the revised regulatory capital rules and the corresponding line item instructions, must be deducted in line item 16.

Schedule RC-R, Part I.B, item 17: LESS: Deductions applied to common equity tier 1 capital due to insufficient amount of additional tier 1 capital and tier 2 capital to cover deductions: If an institution does not have a sufficient amount of additional tier 1 capital and tier 2 capital to cover deductions, then the shortfall must be reported in this line item.

Schedule RC-R, Part I.B, items 18 and 19: An institution would summarize total adjustments and deductions in line item 18 and deduct that amount from its common equity tier 1 capital before adjustments and deductions to determine its common equity tier 1 capital, which would be reported in line item 19.

C. Schedule RC-R, Part I.B, items 20 through 25: Additional tier 1 capital, and item 26: Tier 1 capital

Proposed line items 20 through 25 pertain to the reporting of additional tier 1 capital elements. Additional tier 1 capital is the sum of: (item 20) additional tier 1 capital instruments that satisfy the eligibility criteria described in section 20 of the revised regulatory capital rules plus related surplus; (item 21) non-qualifying capital instruments subject to phase-out from additional tier 1 capital; and (item 22) tier 1 minority interest that is not included in an institution's common equity tier 1 capital; less (item 24) applicable deductions.

Line item 26 collects information on the institution's tier 1 capital, calculated as the sum of (item 19) common equity tier 1 capital and (item 25) additional tier 1 capital.

D. Schedule RC-R, Part I.B, items 27 through 34: Tier 2 capital, and item 35: Total capital

Proposed line items 27 through 34 would require reporting of tier 2 capital elements. Tier 2 capital is the sum of: (item 27) tier 2 capital instruments that satisfy the eligibility criteria described in section 20 of the revised regulatory capital rules plus related surplus; (item 28) non-qualifying capital instruments subject to phase-out from tier 2 capital; (item 29) total capital minority interest not included in an institution's tier 1 capital; (item 30.a) allowance for loan and lease losses (ALLL) includable in tier 2 capital; and (item 31) unrealized gains on AFS preferred stock classified as an equity security under GAAP and AFS equity exposures; less (item 33) tier 2 capital deductions.

Advanced approaches banking organizations would report line items 30.b (eligible credit reserves includable in tier 2 capital), 32.b (tier 2 capital before deductions), 34.b (tier 2 capital), and 35.b (total capital) only after these institutions conduct a satisfactory parallel run.

Line item 35.a would collect information on an institution's total capital, which is the sum of (item 26) tier 1 capital and (item 34) tier 2 capital.

E. Schedule RC-R, Part I.B, items 36 through 39: Total assets for the leverage ratio

Institutions would report total assets for the leverage ratio denominator in line item 39, calculated as: (item 36) average total consolidated assets; less (item 37) deductions from common equity tier 1 capital and additional tier 1 capital; and less (item 38) other deductions from (additions to) assets for leverage ratio purposes, as described under sections 22(a), (c), and (d) of the revised regulatory capital rules.

F. Schedule RC-R, Part I.B, items 40 through 45: Total risk-weighted assets and capital ratios

Line item 40 would collect information on an institution's risk-weighted assets. Line items 41 through 45 would collect information on the following regulatory capital ratios: (item 41) common equity tier 1 capital ratio; (item 42) tier 1 capital ratio; (item 43) total capital ratio; (item 44) tier 1 leverage ratio; and, for advanced approaches institutions, (item 45) supplementary leverage ratio, all calculated as described in section 10 of the revised regulatory capital rules.

During the reporting periods in 2014, Call Report filers would continue applying the general risk-based capital rules to report their total risk-weighted assets in line item 40.a of Part I of Schedule RC-R (as currently reported in item 62 of the risk-weighted assets portion of Schedule RC-R). The amount in line item 40 would serve as the denominator of the risk-based capital ratios reported in line items 41 through 44 (Column A). Effective March 31, 2015, Call Report filers would apply the standardized approach, described in subpart D of the revised regulatory capital rules, to report their risk-weighted assets in line item 40.a and the risk-based capital ratios in line items 41 through 44 (Column A) of the regulatory capital ratios portion of Schedule RC-R.

Advanced approaches institutions would report line items 40 through 45 on the proposed Schedule RC-R, Part I.B, as follows.

- During the reporting periods in 2014, these institutions would continue applying the general risk-based capital rules to report their total risk-weighted assets in line item 40.a, which would serve as the denominator of the ratios reported in line items 41 through 44 (Column A).
- Starting on March 31, 2015, these institutions would apply the standardized approach, described in subpart D of the revised regulatory capital rules, to report their risk-weighted assets in item 40.a and the regulatory capital ratios in items 41 through 44. After they conduct a satisfactory parallel run, these institutions would report their total risk-

weighted assets (item 40.b) and regulatory capital ratios (items 41 through 44, Column B) using the advanced approaches rule.

- In addition, starting on March 31, 2015, these institutions would report a supplementary leverage ratio in item 45, as described in section 10 of the revised regulatory capital rules.

G. Schedule RC-R, Part I.B, items 46 through 48: Capital buffer

Under section 11 of the revised regulatory capital rules, institutions must hold sufficient common equity tier 1 capital to avoid limitations on distributions and discretionary bonus payments. An institution's capital conservation buffer, which would be reported in item 46.a, is the lowest of the following measures: (1) the institution's common equity tier 1 capital ratio minus the applicable minimum (4 percent in 2014, 4.5 percent in 2015 and thereafter); (2) the institution's tier 1 capital ratio minus the applicable minimum (5.5 percent in 2014, 6 percent in 2015 and thereafter); and (3) the institution's total capital ratio minus 8 percent. Advanced approaches banking organizations must make additional calculations to account for all the applicable buffers and report the resulting amount in item 46.b, as described in section 11 of the revised regulatory capital rules. If an institution's capital buffer is less than or equal to the applicable minimum capital conservation buffer (or, in the case of an advanced approaches institution, the applicable minimum capital conservation buffer plus any other applicable capital buffers), then it must report eligible retained income in item 47 and distributions and discretionary bonus payments to executive officers in item 48, as described in section 11 of the revised regulatory capital rules.

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 August 12, 2013, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (78 FR 48932) requesting public comment for 60 days on the revision, without extension, of the Call Reports. The comment period for this notice expired on October 11, 2013. The agencies collectively received comments on the proposal from three entities: two banking organizations and one bankers' association. The commenters asked for clarification on the applicability and effective dates of the proposed reporting requirements and for additional instructions on certain line items.[8] The agencies have addressed all substantive comments received as described in detail below.

Consistent with the proposal, in March 2014, the existing and proposed regulatory capital components and ratios portion of Schedule RC-R would be designated Parts I.A and I.B, respectively. Call Report filers that are not advanced approaches institutions would file Part I.A, which includes existing data items 1 through 33 of current Schedule RC-R. Call Report filers that are subject to the advanced approaches and to the revised regulatory capital rules effective January 1, 2014, would be required to file Part I.B in March 2014, which includes the reporting revisions proposed herein, consistent with the revised regulatory capital rules. In March 2015, Part I.A would be removed and Part I.B would be designated Part I; all Call Report filers would then submit Part I.

As proposed, Part I.B, Regulatory Capital Components and Ratios, would be divided into the following sections: (A) common equity tier 1 capital; (B) common equity tier 1 capital: adjustments and deductions; (C) additional tier 1 capital; (D) tier 2 capital; (E) total assets for the

[8] In addition, one other commenter on the proposal urged the agencies to revise the regulatory capital treatment of the allowance for loan and lease losses (ALLL) if the Financial Accounting Standards Board (FASB) changes the accounting standards applicable to ALLL. The agencies note that this comment suggests a substantive change to the revised regulatory capital rules and is outside the scope of the proposed changes to the Call Report.

leverage ratio; (F) capital ratios; and (G) capital buffer. A brief description of each of these sections and the corresponding line items is provided below. The agencies did not receive any comments on the overall structure of the proposed Schedule RC-R, Part I.B and thus will proceed with the overall structure of Part I.B, as proposed. The agencies will make clarifications to certain line items to reflect public comments, as discussed below.

The agencies received several questions regarding the reporting treatment for items subject to transition provisions in Schedule RC-R, Part I.B. Specifically, commenters asked for clarification on reporting transition amounts of items subject to regulatory capital adjustments and deductions and reporting disallowed amounts during the transition period. As described below, transition amounts, as proposed, are to be reported in the Schedule RC-R line item applicable to the particular regulatory capital adjustment or deduction, while the otherwise disallowed portion of each of these items is either risk-weighted or deducted from additional tier 1 capital, depending on the item.

Commenters also asked the agencies for clarification of the reporting of the risk-weighted portion of an item subject to deduction in Schedule RC-R. The agencies are clarifying, and the instructions for Part I.B of Schedule RC-R will indicate, that the risk-weighted portion of such items as proposed must be reported in the line item appropriate to the item subject to deduction in Schedule RC-R, Part II, Risk-Weighted Assets. In addition, the agencies are clarifying that even though certain deductions may be net of associated DTLs, the risk-weighted portion of those items may not be reduced by the associated DTLs.

For example, for institutions subject to the revised regulatory capital rules on January 1, 2014, the appropriate line item for reporting the risk-weighted portion of MSAs that are not deducted from common equity tier 1 capital, for report dates in 2014, is Schedule RC-R, Part II, item 42, “All other assets.” The risk-weighted asset portion of MSAs may not be reduced by any associated DTLs. Also, the line items in Part II will be renumbered in 2015 because the agencies expect to propose revisions to the risk-weighted assets portion of Call Report Schedule RC-R to incorporate the standardized approach for calculating risk-weighted assets under the revised regulatory capital rules. The agencies will update the Part II line item references as appropriate in the Schedule RC-R instructions for 2015 after the revisions to the risk-weighted assets portion of the schedule are finalized.

The agencies received several questions related to the calculation of the leverage ratio and the specific deductions from the leverage ratio denominator. One commenter asked the agencies to confirm that all banking organizations, including savings associations, must use average total assets from Call Report Schedule RC-K, item 9, to calculate total assets for the leverage ratio. The agencies are confirming that average total assets from Schedule RC-K, item 9, must be used to calculate total assets for the leverage ratio by advanced approaches institutions beginning in March 2014 and by all other institutions, including savings associations, beginning in March 2015. The same commenter asked the agencies to confirm the deductions from common equity tier 1 capital and additional tier 1 capital that must be made to calculate total assets for the leverage ratio. The agencies are specifying the deductions that must be made to calculate total assets for the leverage ratio as described below.

One commenter asked the agencies to confirm the effective dates for reporting the capital conservation buffer and the supplementary leverage ratio. The agencies are confirming that the capital conservation buffer (and any other applicable buffer for advanced approaches institutions) must be reported for report dates after January 1, 2016. Advanced approaches institutions must report the supplementary leverage ratio for report dates after January 1, 2015. The agencies are also shading out the corresponding cells in the draft reporting form for Schedule RC-R, Part I.B, to show that institutions should not report these items until they become effective.

A brief description of the proposed revisions and the comments received on specific line items in Schedule RC-R, Part I.B, are provided below.

A. Schedule RC-R, Part I.B, items 1-5: Common equity tier 1 capital

Under the proposal, line items 1 through 5 would collect information regarding the new regulatory capital component, common equity tier 1 capital. The agencies did not receive any comments on these line items and thus would retain the proposed line items without modification.

B. Schedule RC-R, Part I.B, items 6-19: Common equity tier 1 capital: adjustments and deductions

Proposed line items 6 through 19 reflect adjustments and deductions to common equity tier 1 capital, as described in section 22 of the revised regulatory capital rules. The agencies received a number of questions on reporting items subject to transition provisions. Specifically, questions related to items 7 through 10 asked where the transition amounts of the adjustments and deductions covered by these specific items are to be reported. The instructions for proposed Schedule RC-R, Part I.B, explain that during the transition period as proposed, institutions must report the transition amounts of these adjustments and deductions, rather than their fully phased-in amounts, in items 7 through 10. Institutions would not be required to report fully phased-in amounts in items 7 through 10 until the transition period ends.

For example, during the transition period, an institution must report in item 7 the appropriate transition amount of intangible assets (other than goodwill and MSAs), net of DTLs, as described in the instructions for that line item. The institution must also risk weight the non-deducted portion of that item at 100 percent and report it in Schedule RC-R, Part II, item 42, "All other assets." As another example, during the transition period, an institution must report in item 8 the appropriate transition amount of DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs, calculated as a percentage of the adjustment applied to common equity tier 1 capital. The institution must then report during the transition period the remaining balance of DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs, in Schedule RC-R, Part I.B, item 24, "Additional tier 1 capital deductions."

A commenter also asked about risk weighting the non-deducted portion of the threshold items (that is, significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs). The instructions for proposed Schedule RC-R, Part I.B, explain that during the transition period the non-deducted portion of these threshold items must be risk weighted at 100 percent in accordance with section 300 of the revised regulatory capital rules and reported in Schedule RC-R, Part II, "All other assets." For report dates after January 1, 2018, the non-deducted portion of the threshold items must be risk-weighted at 250 percent in accordance with section 22 of the revised regulatory capital rules and reported in the appropriate asset category in Schedule RC-R, Part II.

C. Schedule RC-R, Part I.B, items 20 through 25: Additional tier 1 capital, and item 26: Tier 1 capital

Proposed line items 20 through 25 pertain to the reporting of additional tier 1 capital elements under section 20 of the revised regulatory capital rules, along with related adjustments for non-qualifying capital instruments subject to phase-out. The agencies did not receive any comments on these line items and thus would retain the proposed line items without modification.

D. Schedule RC-R, Part I.B, items 27 through 34: Tier 2 capital, and item 35: Total capital

Proposed line items 27 through 34 pertain to the reporting of tier 2 capital elements under section 20 of the revised regulatory capital rules, along with related adjustments for non-qualifying capital instruments subject to phase-out. The agencies did not receive any comments on these line items and thus would retain the proposed line items without modification.

E. Schedule RC-R, Part I.B, items 36 through 39: Total assets for the leverage ratio

Under the proposal, institutions would report data for the calculation of the leverage ratio in items 36 through 39. As noted above, the agencies received two questions on the calculation of the total assets for the leverage ratio. First, a commenter asked the agencies to confirm that all banking organizations, including savings associations, must use average total assets from Call Report Schedule RC-K, item 9, to calculate total assets for the leverage ratio. The agencies are confirming that average total assets from Schedule RC-K, item 9, must be reported in Schedule RC-R, Part I.B, item 36, "Average total consolidated assets," by advanced approaches institutions beginning in March 2014 and by all other institutions, including savings associations, beginning in March 2015.

Second, the same commenter asked the agencies to confirm the deductions from common equity tier 1 capital and additional tier 1 capital that must be made to calculate total assets for the leverage ratio. Specifically, the commenter asked whether the deductions made in Schedule RC-R, Part I.B, items 13 through 15, also must be made for purposes of the leverage ratio. The agencies are clarifying the reporting instructions for proposed Schedule RC-R, Part I.B, items 37 and 38, to address the commenter's question. The agencies confirm that the amounts deducted from common equity tier 1 and additional tier 1 capital in Schedule RC-R, Part I.B, items 6, 7, 8, 10.b, 11, 13 through 17, and 24 must be included in Schedule RC-R, Part I.B, item 37. In addition, any other amounts that are deducted from common equity tier 1 and additional tier 1 capital, such as deductions related to AOCI-adjustments, must be included in Schedule RC-R, Part I.B, item 38.

F. Schedule RC-R, Part I.B, item 40: Total risk-weighted assets and items 41 through 45: Capital ratios

Under the proposal, institutions would report data for the calculation of risk-weighted assets and capital ratios in items 41 through 45. The agencies received one question on this section of the proposal. Specifically, a commenter asked the agencies to confirm the effective date of reporting the supplementary leverage ratio in item 45. The agencies are modifying the Schedule RC-R, Part I.B, reporting form and the instructions for proposed item 45 to clarify that this item must be reported for report dates after January 1, 2015.

Under the proposal, for report dates in 2014, Call Report filers that are advanced approaches institutions would continue applying the general risk-based capital rules to calculate their total risk-weighted assets, which will continue to be reported in current item 62 of the risk-weighted assets portion of Schedule RC-R (to be designated Part II of the schedule in March 2014). This total risk-weighted assets amount would then also be reported in item 40.a of Part I.B of Schedule RC-R for report dates in 2014 and would serve as the denominator for the risk-based capital ratios reported in Schedule RC-R, Part I.B, items 41 through 44, column A. Effective March 31, 2015, all Call Report filers would be required to apply the standardized approach, described in subpart D of the revised regulatory capital rules, to calculate and report their risk-weighted assets in item 40.a and the risk-based capital ratios in items 41 through 44, column A, of the regulatory capital components and ratios portion of Schedule RC-R.

Advanced approaches institutions would report items 40 through 45 on proposed Schedule RC-R, Part I.B, as follows.

- For report dates in 2014, these institutions would continue applying the general risk-based capital rules to report their total risk-weighted assets in item 40.a, which would serve as the denominator of the ratios reported in items 41 through 44, column A.
- Starting on March 31, 2015, these institutions would apply the standardized approach, described in subpart D of the revised regulatory capital rules, to calculate and report their risk-weighted assets in item 40.a and the regulatory capital ratios in items 41 through 44, column A.
- After they conduct a satisfactory parallel run, these institutions would report their total risk-weighted assets (item 40.b) and regulatory capital ratios (items 41 through 44, column B) using the advanced approaches rule.
- In addition, starting on March 31, 2015, these institutions would report a supplementary leverage ratio in item 45, as described in section 10 of the revised regulatory capital rules.

The agencies did not receive any comments on the proposed reporting of the regulatory capital ratios by advanced approaches institutions and thus would retain this section of the proposal without modification.

G. Schedule RC-R, Part I.B, items 46 through 48: Capital buffer

Under the proposal, an institution's capital conservation buffer and related information would be reported in items 46 through 48. The agencies received a question asking to confirm the effective date for reporting items 46 through 48. The agencies are modifying the Schedule RC-R, Part I.B, reporting form and the instructions for proposed items 46 through 48 to clarify that these items become effective for report dates after January 1, 2016. Until March 31, 2016, the corresponding cells in the draft reporting form for Schedule RC-R, Part I.B, would be shaded out.

On January 14, 2014, the agencies published a final notice in the *Federal Register* (79 FR 2527).

Estimate of Respondent Burden

The current annual reporting burden for the Call Report is estimated to be 187,820 hours and would increase to 192,724 hours as shown in the following table. The average estimated hours per response for Call Report filers would increase from 55.70 hours to 57.29 hours due to the proposed changes. This reporting requirement represents 1.44 percent of the total Federal Reserve paperwork burden.

	Number of respondents[9]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current	843	4	55.70	187,820
Proposed	841	4	57.29	192,724
Change				4,904

The current total annual cost to state member banks is estimated to be $9,372,218 and with the proposed revisions would increase to $9,616,928.[10] 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.

[9] Of the 841 respondents required to comply with this information collection, 632 respondents are considered a small entity as defined by the Small Business Administration (i.e., entities with $500 million or less in total assets). www.sba.gov/content/small-business-size-standards.

[10] 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 at $18, 45% Financial Managers at $59, 15% Lawyers at $63, and 10% Chief Executives at $85). 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 2012, 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.