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

A. JUSTIFICATION

1. Circumstances and Need

The OCC is charged with assuring the safety and soundness of national banks and Federal savings associations. (12 U.S.C. 1). In carrying out those duties, banks must submit information to the OCC: 12 U.S.C. 161 (national banks) and 12 U.S.C. 1464 (savings associations). The OCC uses this information to assess and monitor the levels and components of each bank's risk-based capital requirements and the adequacy of the entity's capital.

2. Use of Information Collected

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

The information would be collected on Schedule RC-R, Part I.B. 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 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.

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.

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.

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.

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.

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.

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.

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.

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.

3. Use of Technology to Reduce Burden

Banks must file the information required under this collection electronically. Any information technology that permits review by OCC examiners may be used.

4. Efforts to Identify Duplication

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

5. Minimizing the Burden on Small Entities

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

6. Consequences of Less Frequent Collection

The OCC would not be able to adequately monitor capital levels and ensure safety and soundness of national banks and Federal savings associations in a timely manner. For remittance transfers, the agencies are only collecting this information annually, which is sufficient to monitor compliance with the regulation.

7. Special Circumstances

There are no special circumstances.

8. Consultation with Persons Outside the OCC

The agencies requested comment on the information collection in the Federal Register (78 FR 12141, Feb. 21, 2013).

The agencies 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.[1] The agencies have addressed all substantive comments received.

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

[1] 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 and FFIEC 101.

below in section II.B of this notice, 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 deferred tax liabilities (DTLs), the risk-weighted portion of those items may not be reduced by the associated DTLs.

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 in section II.E below.

One commenter asked the agencies to confirm the effective dates for reporting the capital conservation buffer and the supplementary leverage ratio. The agencies confirm 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 (see section III of this notice for additional details on the reporting of this line item by advanced approaches institutions). 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.

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

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 items (other than goodwill and mortgage servicing assets (MSAs)), net of associated deferred tax liabilities (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 deferred tax assets (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.

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 and deductions related to insurance underwriting activities, must be included in Schedule RC-R, Part I.B, item 38.

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.

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.

9. Payment or Gift to Respondents

None.

10. Confidentiality

These items are not given confidential treatment.

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

Estimated Number of Respondents: 1,807 national banks and federal savings associations.

Estimated Time per Response: 56.19 burden hours per quarter to file.

Estimated Total Annual Burden: 406,141 burden hours.

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

Clerical:	20% x 406,141 =	81,228.2 @ $20 =	$ 1,624,564.00
Managerial/technical:	65% x 406,141 =	263,991.65 @ $40 =	$ 10,559,666.00
Senior mgmt/professional:	14% x 406,141 =	56,859.74 @ $80 =	$ 4,548,779.20
Legal:	01% x 406,141 =	4,061.41 @ $100 =	$ 406,141.00
Total:			$17,139,150.20

13. Capital, Start-up, and Operating Costs

Not applicable.

14. Estimates of Annualized Cost to the Federal Government

Not applicable.

15. Change in Burden

Former burden: 382,463 burden hours.

New burden: 406,141 burden hours.

Change: + 23,678 burden hours.

The increase in burden is due to the additional questions and the breakdown of existing questions.

16. Publication of information for statistical purposes

The OCC is not publishing the information for statistical purposes.

17. Exceptions to Expiration Date Display

Not applicable.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.