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 (collectively, institutions). The proposed revisions to the Call Report that are the subject of this request are limited to revisions to Schedule RC-R, Regulatory Capital. These regulatory capital reporting changes have been approved by the FFIEC and would take effect March 31, 2014. 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.

Call Report Schedule RC-R collects data on tier 1, tier 2, and total capital and regulatory capital ratios (the regulatory capital components and ratios portion of the schedule) and on risk-weighted assets (the risk-weighted assets portion of the schedule). The agencies are proposing at this time to revise the reporting requirements for the regulatory capital components and ratios portion of Schedule RC-R. Compared to the current version of the schedule, the revised regulatory capital components and ratios portion of Schedule RC-R would provide a more detailed breakdown of the elements that enter into regulatory capital calculations, including deductions and adjustments, consistent with the revised regulatory capital rules adopted by the FDIC, the FRB, and the OCC (the agencies) in July 2013.[1] The revised regulatory capital components and ratios portion of Schedule RC-R would become applicable to reporting institutions in two steps. For report dates in 2014, there would be two versions of the regulatory capital components and ratios portion of Schedule RC-R, which would be designated Parts I.A and I.B. Institutions 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. Advanced approaches institutions, which became subject to the revised regulatory capital rules on

[1] 78 FR 55340, September 10, 2013 (FDIC); 78 FR 62018, October 11, 2013 (FRB and OCC).

[2] An advanced approaches institution is a bank, savings association, bank holding company, or savings and loan holding company that:

(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 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 to calculate its total risk-weighted assets; or
(v) Elects to use the advanced approaches to calculate its total risk-weighted assets.

January 1, 2014, would file proposed Part I.B, which would include regulatory data on common equity tier 1, tier 1, tier 2, and total capital and regulatory capital ratios 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 institutions would then complete Part I as part of their Call Report submission.

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.

In July 2013, the agencies approved revised regulatory capital rules that strengthen the definition of regulatory capital, increase risk-based capital requirements, and make selected changes to the calculation of risk-weighted assets. The revised regulatory capital rules took effect for advanced approaches institutions on January 1, 2014, and will take effect for all other institutions on January 1, 2015. Because of the changes to the definition of regulatory capital, including the introduction of common equity tier 1 capital as a new component of regulatory capital, the data items currently collected in the regulatory capital components and ratios portion of Call Report Schedule RC-R, which reflect the step-by-step calculation of the components of regulatory capital and the resulting set of capital ratios, are not consistent with the revised regulatory capital rules. Thus, in order for the regulatory capital components and ratios portion of Call Report Schedule RC-R to serve as the template for institutions' calculations of these components and ratios under the agencies' revised regulatory capital regime, the agencies are proposing at this time to revise the reporting requirements for this portion of Schedule RC-R. The agencies expect to publish later in 2014 a request for comment on a separate proposal to revise the risk-weighted assets portion of Call Report Schedule RC-R to incorporate the changes to the calculation of risk-weighted assets under the revised regulatory capital rules, which is referred to as the standardized approach. The revisions to the risk-weighted assets portion of Schedule RC-R, which would take effect March 31, 2015, would be the subject of a separate submission for OMB review.

The changes to the regulatory capital components and ratios portion of Call Report Schedule RC-R that are the subject of this submission and the reasons for these regulatory capital reporting changes are more fully described in the agencies' initial and final Paperwork Reduction Act (PRA) Federal Register notices published on August 12, 2013, and January 14, 2014, respectively.

2. <u>Use of Information Collected</u>

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).

<u>Early Warning Systems (EWS)</u> – 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.

With respect to the proposed changes to the regulatory capital components and ratios portion of Call Report Schedule RC-R that are the subject of this request (coupled with the changes to the risk-weighted assets portion of Schedule RC-R that will be the subject of a separate submission to OMB at a later date), the FDIC will use the information collected in Schedule RC-R, as it would be revised, to monitor the levels and components of each institution's regulatory capital and the related capital ratios and assess its capital adequacy under the revised regulatory capital rules. As part of this monitoring and assessment, an institution's capital ratios will be compared to the minimum capital standards and will be used to determine the institution's status under the agencies' prompt corrective action framework, which has also been revised by the revised regulatory capital rules. In addition, the agencies will use the data to be collected in the revised regulatory capital components and ratios portion of Schedule RC-R to evaluate industry trends in the composition and levels of the regulatory capital components under the revised rules.

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 Report data. 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 that 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 4,325 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. Minimizing the Burden on Small Institutions

Pursuant to regulations issued by the Small Business Administration (13 CFR 121.201), a "small entity" includes depository institutions with assets of $500 million or less. There are currently 4,325 insured state nonmember banks and state savings associations that are supervised by the FDIC. Of this number, approximately 3,600 have total assets of $500 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. Exemptions from reporting certain Call Report data also apply to institutions with less than $500 million and $1 billion in total assets. Other exemptions are based on activity levels rather than total assets and these activity-based thresholds tend to benefit small institutions.

The structure of the proposed revised regulatory capital components and ratios portion of Call Report Schedule RC-R is designed to follow the steps in the calculation of the various regulatory capital components as defined in the agencies' revised regulatory capital rules. Nevertheless, this revised portion of Schedule RC-R does not require institutions to separately report the amount of each unique regulatory capital adjustment and deduction prescribed in the revised regulatory capital rules. Rather, the revised regulatory capital components and ratios portion of Schedule RC-R has been designed to limit the amount of detail institutions must provide about adjustments and deductions that will apply to a small percentage of all institutions and, in particular, to few small institutions.

6. Consequences of Less Frequent Collection

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 Item 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 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 a proposal to revise, without extension, the Call Report. 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 bankers' association stated that it and "its members do not have material comments about the proposal." However, the commenters asked for clarification on the applicability and effective dates of the proposed revised reporting requirements and for additional instructions on certain line items.[3] The agencies did not receive any comments on the overall structure of the proposed Part I.B of Schedule RC-R and plan to proceed with the overall structure of Part I.B as proposed. The agencies have made clarifications to certain data items in Part I.B and the related instructions to reflect public comments, as discussed below.

The agencies received several questions regarding the reporting treatment for items in Schedule RC-R, Part I.B, that are subject to transition provisions under the revised regulatory capital rules. 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. Transition amounts, as proposed, are to be reported in the Schedule RC-R, Part I.B, 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. The reporting of transition amounts is addressed in the draft proposed instructions for Schedule RC-R, Part I.B.

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 have clarified in the draft proposed instructions for Part I.B of Schedule RC-R 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 have clarified in the draft proposed instructions 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.

[3] 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 changes the accounting standards applicable to the ALLL. This comment suggested a substantive change to the revised regulatory capital rules and is outside the scope of the proposed changes to the Call Report.

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 have confirmed 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 in the draft proposed instructions for Schedule RC-R, Part I.B.

One commenter asked the agencies to confirm the effective dates for reporting the capital conservation buffer and the supplementary leverage ratio. The agencies have confirmed that the items for reporting the capital conservation buffer (and any other applicable buffer for advanced approaches institutions) included in Schedule RC-R, Part I.B., will take effect 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 have shaded 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.

For a further description of the information proposed to be collected in the line items of Schedule RC-R, Part I.B, the comments received on specific line items in proposed Part I.B, and the agencies' responses to those comments, please refer to the agencies' final PRA Federal Register notice published on January 14, 2014.

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, Memorandum 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 reported by large institutions and highly complex institutions in Schedule RC-O, Memorandum item 18, which is a table of consumer loans by loan type and probability of default band, also is 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. <u>Information of a Sensitive Nature</u>

The Call Report contains no questions of a sensitive nature.

12. <u>Estimate of Annual Burden</u>

It is estimated that, on average, it will take an FDIC-supervised institution approximately <u>42.02</u> hours each quarter to prepare and file its Call Report on an ongoing basis as it is proposed to be revised. This estimate reflects the average ongoing reporting burden for all FDIC-supervised institutions after all such institutions begin to complete the revised regulatory capital components and ratios portion of Schedule RC-R in March 2015 in place of the existing regulatory capital components and ratios portion of this schedule. At that time, the estimated annual ongoing reporting burden for the <u>4,325</u> FDIC-supervised institutions to prepare and file the Call Report is <u>726,946</u> 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, as it is proposed to be revised, is estimated to range from 18 to 750 hours per quarter, depending on an individual institution's circumstances.

For all FDIC-insured institutions, year-to-date Call Report data as of September 30, 2013, indicate that salaries and employee benefits per full-time equivalent employee averaged nearly $44.00 per hour. Thus, for all <u>4,325</u> FDIC-supervised institutions, the annual recurring salary and employee benefit cost for the Call Report burden hours shown above is estimated to be <u>$32.0 million</u>. This cost is based on the application of the $44.00 average hourly rate to the estimated total ongoing annual reporting burden of 726,946 hours.

13. <u>Estimate of Total Annual Cost Burden</u>

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 Item 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 <u>$20.0 million</u>. 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 726,946. 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 limited to the revision of the regulatory capital components and ratios portion of Schedule RC-R consistent with the agencies' revised regulatory capital rules, which took effect January 1, 2014, for advanced approaches institutions and will take effect January 1, 2015, for all other institutions. Only 8 of the 4,325 FDIC-supervised institutions are advanced approaches institutions. Thus, virtually all FDIC-supervised institutions will have one year's lead time before they must begin to complete the revised regulatory capital components and ratios portion of Schedule RC-R. Nevertheless, the capital and start-up costs associated with the Call Report changes that are the subject of this submission will vary from institution to institution depending upon an institution's individual circumstances, particularly the extent to which it is subject to the specific capital deductions and adjustments and the related transition rules that are included in the revised regulatory capital rules, but not in the capital rules previously in effect. Thus, an estimate of this cost component cannot be determined at this time.

As for the effect of the revision of the regulatory capital components and ratios portion of Call Report Schedule RC-R that is the subject of this submission on the overall ongoing cost and reporting burden imposed by the Call Report, the agencies' revised regulatory capital rules contain a greater number of features than the rules they are replacing. These features include the new common equity tier 1 capital regulatory capital component, minority interest limitations, an increased number of regulatory capital deductions and adjustments, transition rules that apply to these deductions and adjustments, and capital buffers. Although the minority interest limitations and many of the deductions and adjustments are of a specialized nature and should not affect the regulatory capital calculations for the majority of institutions, institutions will generally need to report more information in the revised regulatory capital components and ratios portion of Schedule RC-R than they do at present. Thus, as with the capital and start-up costs, the incremental additional reporting burden arising from the revisions to the regulatory capital components and ratios portion of Schedule RC-R will vary across institutions depending on their individual circumstances. For an FDIC-supervised institution, it is estimated that the ongoing reporting burden associated with completing Call Report Schedule RC-R, as it is proposed to be revised, will increase the overall reporting burden of the Call Report, on average, by nearly one and a half hours per quarter.

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 Call Report Schedule RC-R that are the subject of this submission.

At present, there are 4,325 FDIC-supervised institutions, which is 79 less than previously reported (4,404 previously versus 4,325 now). As mentioned in Item 13 above, the FDIC estimates that the overall effect of the proposed revisions to Call Report Schedule RC-R across the full range of institutions under its supervision would be an average increase in the burden estimate of nearly one and a half hours per response. The analysis of the change in burden for the Call Report as it is proposed to be revised effective March 31, 2014, for advanced approaches institutions and March 31, 2015, for all other institutions is as follows:

Currently approved burden	714,681 hours
Revisions to content of report (program change)	+ 25,085 hours
Adjustment (change in use)	- 12,820 hours
Requested (new) burden	726,946 hours
Net change in burden:	+ 12,265 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 agencies makes individual institutions' entire Call Reports available to the public on the Internet as soon as the data have been submitted, placed in an accepted status, and prepared for publication in the CDR. These data can be accessed on the FFIEC CDR Public Data Distribution Web site (https://cdr.ffiec.gov/public/). In addition, beginning 45 calendar days after the report date, bulk data files containing the publicly available data items reported by all institutions that filed Call Report data are available on the FFIEC CDR Public Data Distribution Web site by selecting the "Download bulk data" feature. As an alternative, interested persons can purchase a computer tape containing the publicly available quarterly Call Report information for all institutions from the National Technical Information Service of the U.S. Department of Commerce.

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.

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, uses Call Report data as the primary inputs to its production. 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.