

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

A. JUSTIFICATION

1. Circumstances and Need

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 agencies are making changes to the risk-weighted assets portion of Schedule RC-R, Regulatory Capital, and to line items related to securities lent and borrowed in Schedule RC-L, Derivatives and Off-Balance Sheet Items, in the Consolidated Reports of Condition and Income (Call Report or FFIEC 031 and FFIEC 041). The revisions to the Call Report are consistent with the revised regulatory capital rules published by the agencies (revised regulatory capital rules).<sup>1</sup> The proposed revised risk-weighted assets portion of Schedule RC-R and the proposed changes to Schedule RC-L will take effect as of the March 31, 2015, report date.

2. Use of Information Collected

The agencies are revising the reporting requirements for the risk-weighted assets portion of Call Report Schedule RC-R by incorporating the standardized approach, consistent with the revised regulatory capital rules. Compared to the current schedule, the proposed risk-weighted assets portion of Schedule RC-R will provide a more detailed breakdown of on-balance sheet asset and off-balance sheet item categories, remove the ratings-based approach from the calculation of risk-weighted assets, reflect alternative risk-weighting approaches not reliant on credit ratings, and include an expanded number of risk-weight categories, consistent with the revised regulatory capital rules. The revisions to the risk-weighted assets portion of Schedule RC-R will take effect as of the March 31, 2015, report date.

The agencies are changing Schedule RC-R in two stages to allow interested parties to better understand the proposed revisions and focus their comments on areas of particular interest. The agencies completed the first stage of revisions (79 FR 2527) and are proceeding with the second stage of the revisions.

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<sup>1</sup> 78 FR 62018 (Oct. 11, 2013) (OCC and Board) and 78 FR 55340 (Sept. 10, 2013) (FDIC).

Call Report Schedule RC-L collects regulatory data on derivatives and off-balance sheet items. The agencies are proposing at this time to revise the reporting requirements for off-balance sheet exposures related to securities lent and borrowed, consistent with the revised regulatory capital rules. Compared to the current schedule, the proposed changes to Schedule RC-L would require all institutions to report the amount of securities borrowed. At present, institutions include the amount of securities borrowed in the total amount of all other off-balance sheet liabilities if the amount of securities borrowed is more than 10 percent of total bank equity capital and disclose the amount of securities borrowed if that amount is more than 25 percent of total bank equity capital. In addition, the proposed changes to Schedule RC-L would place the line item for securities borrowed immediately after the line item for securities lent.

3. Use of Technology to Reduce Burden

All banks and savings associations are subject to an electronic filing requirement for Call Reports. Institutions may use information technology to the extent feasible to maintain required records.

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

The agencies attempt to limit the information collected to the minimum information needed to evaluate the condition of an institution, regardless of size.

6. Consequences of Less Frequent Collection

The Federal financial regulatory agencies must have condition and income data at least quarterly to properly monitor individual bank and industry trends and to comply with a statutory requirement to obtain four reports of condition per year. 12 U.S.C. § 1817(a)(3). Less frequent collection of this information would impair the agencies' ability to monitor financial institutions and could delay regulatory response.

7. Special Circumstances

There are no special circumstances.

8. Consultation with Persons Outside the OCC

On June 23, 2014, the agencies requested comment on proposed revisions to the risk-weighted assets portion of Schedule RC-R, and to line items related to securities lent and

borrowed in Schedule RC-L, in the Call Report (the proposal).<sup>2</sup> The revisions would become effective for the March 31, 2015, report date.

The agencies collectively received comments on the proposal from four entities. In addition, the Federal Reserve received comments from three entities on proposed revisions to the Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128), which parallel proposed revisions to the Call Report and were taken into consideration by the agencies. The commenters asked for (1) clarification on the applicability of the proposed reporting requirements, (2) additional new items, (3) combining two items, (4) opening certain risk-weight categories for some items, and (5) clarification of or additional instructions for certain line items.

One commenter noted that in several places the proposed reporting instructions refer the reader to the agencies' regulatory capital rules for additional information. The commenter requested that the agencies incorporate the information from the regulatory capital rules into the reporting instructions. The agencies believe that adding such text to the reporting instructions will unduly add significant length to the instructions, and do not believe it is necessary to incorporate all aspects of the agencies' regulatory capital rules into the reporting instructions. However, the agencies will revise the proposed reporting instructions to more clearly cross-reference the regulatory capital rules.

Comments received on specific line items in Schedule RC-R, Part II, and Schedule RC-L, are addressed in sections II and III below.

#### Call Report Schedule RC-R, Part II

The agencies proposed to revise the reporting requirements for the risk-weighted assets portion of Call Report Schedule RC-R, Regulatory Capital, by incorporating the standardized approach, consistent with the revised regulatory capital rules. Compared to the current schedule, the proposed risk-weighted assets portion of Schedule RC-R will provide a more detailed breakdown of on-balance sheet asset and off-balance sheet item categories, remove the ratings-based approach from the calculation of risk-weighted assets, reflect alternative risk-weighting approaches not reliant on credit ratings, and include an expanded number of risk-weight categories, consistent with the revised regulatory capital rules. As proposed, Schedule RC-R, Part II, Risk-Weighted Assets, will be divided into the following sections: (A) on-balance sheet asset categories; (B) derivatives and off-balance sheet items; (C) totals; and (D) memoranda items for derivatives.

A brief description of each of these sections and the corresponding line items and the comments received on specific line items in Schedule RC-R, Part II, are provided below.

#### Schedule RC-R, Part II, items 1-11: Balance sheet asset categories and securitization exposures

Proposed line items 1 through 8 reflect on-balance sheet asset categories (excluding those assets within each category that meet the definition of a securitization exposure), similar to the

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<sup>2</sup> See 79 FR 35634.

asset categories included in the current version of Schedule RC-R, but the proposed items will capture greater reporting detail. The number of risk-weight categories to which the individual assets in each asset category would be allocated would be expanded consistent with the revised regulatory capital rules. On-balance sheet assets and off-balance sheet items that meet the definition of a securitization exposure will be reported in items 9 and 10, respectively.

Two commenters noted that several risk-weight categories for item 8, “Other assets,” on the proposed reporting form are not available for data input (i.e., they are shaded out), but they believe the categories may be applicable, particularly to account for certain bank-owned life insurance (BOLI) assets. The agencies agree with these comments and will open the 2 percent, 4 percent, 150 percent, and 300 percent risk-weight categories for item 8, “Other assets.”

One commenter requested clarification of the reporting in item 8 of default fund contributions made by the reporting institution to central counterparties. The commenter noted that the proposed reporting instructions for item 8 state that such contributions should be allocated to the risk-weight categories defined for column B through column Q. However, the commenter observed that default fund contributions are subject to two alternative methodologies for calculating risk-weights, both of which may result in risk-weight categories not captured in column B through column Q. The agencies are revising the collection form to accommodate reporting of default fund contributions regardless of the chosen methodology.

One commenter noted that items 2 through 8 could include securitization exposures, and when added with item 9, “On-balance sheet securitization exposures,” would double count such exposures in reporting item 11, “Total assets.” The agencies note that the reporting instructions for each proposed balance sheet asset category (items 1 through 8) explicitly state the reporting institution is to exclude securitization exposures.

#### Schedule RC-R, Part II, items 12-21: Derivatives and off-balance sheet items

Proposed line items 12 through 21 pertain to the reporting of derivatives and off-balance sheet items, excluding those that meet the definition of a securitization exposure (which are reported in item 10 as discussed above).

One commenter noted that in accordance with section 37 of the agencies’ revised regulatory capital rules, banking organizations must calculate the exposure amount and risk-weighted assets for repo-style transactions on a netting set basis. A netting set may contain transactions that are reported as assets, liabilities, and off-balance sheet items (as long as they are executed under the same master netting agreement), and the basis for the RWA calculation is the net exposure, adjusted for volatility and foreign exchange haircuts. As proposed, Schedule RC-R, Part II, requires the reporting of repo-style transactions split between assets (reported in item 3, “Federal funds sold and securities purchased under agreements to resell”) and liabilities (reported in item 16, “Repo-style transactions (excluding reverse repos)”). However, since risk-weighted assets are based on the net exposure at a netting set level (inclusive of volatility and foreign exchange haircuts), there is no obvious way of allocating the exposure between the two reporting items and across the risk-weight categories that would tie back to the value required to be reported in column A (i.e., for item 3, the balance sheet carrying amount, and for item 16, the notional value). The commenter recommends that the agencies amend the reporting form to

collect all repo-style transactions in a single item, and amounts attributed to risk-weighting categories for this item would tie to an “exposure” amount reported in Column A. The agencies are revising the collection form to accommodate reporting of repo-style transactions.

#### Schedule RC-R, Part II, items 22-30: Totals

Proposed items 22 through 30 apply the risk-weight factors to the exposure amounts reported for assets, derivatives, and off-balance sheet items in items 11 through 21 and calculate an institution’s total risk-weighted assets. The agencies did not receive any comments on these line items and thus would retain the proposed line items without modification.

#### Schedule RC-R, Part II, Memorandum items 1-3: Derivatives

In proposed memorandum items 1 through 3, an institution would report the current credit exposure and notional principal amounts of its derivative contracts. Consistent with the revised regulatory capital rules, existing Memorandum item 2 would be revised to provide for separate reporting, by remaining maturity and type of contract, of the notional principal amounts of the institution’s over-the-counter and centrally cleared derivative contracts subject to the revised regulatory capital rules.

Memorandum item 1 will continue to collect the “Current credit exposure across all derivative contracts covered by the risk-based capital standards.” One commenter noted that prior to the proposed revisions, the instructions for Memorandum item 1 stated that all written option contracts (except those that are, in substance, financial guarantees) are not covered by the risk-based capital standards. However, this statement was omitted from the proposed reporting instructions for Memorandum item 1, but will be included in the final instructions as requested by a commenter.

#### Proposed Changes to Call Report Schedule RC-L

Call Report Schedule RC-L collects regulatory data on derivatives and off-balance sheet items. The agencies proposed to revise the reporting requirements for off-balance sheet exposures related to securities lent and borrowed, consistent with the revised regulatory capital rules. Compared to the current schedule, the proposed changes to Schedule RC-L will require all institutions to report the amount of securities borrowed. At present, institutions include the amount of securities borrowed in the total amount of all other off-balance sheet liabilities reported in item 9 of Schedule RC-L if the amount of securities borrowed is more than 10 percent of total bank equity capital and disclose the amount of securities borrowed if that amount is more than 25 percent of total bank equity capital. In addition, the proposed changes to Schedule RC-L will place the line item for securities borrowed in a new item 6.b immediately after the line item for securities lent, which will be renumbered from item 6 to item 6.a.

One commenter noted that the current instructions for item 9 state to “report all securities borrowed against collateral (other than cash)” for such purposes as serving “as a pledge against deposit liabilities or delivery against short sales,” whereas the current instructions for item 6 state

to report all securities owned that are “lent against collateral or on an uncollateralized basis.” The commenter characterizes current item 9 as inclusive of only certain types of securities borrowings such as those collateralized by “other than cash” and those “for purposes as a pledge against deposit liabilities or short sales,” whereas current item 6 covers all types of securities lending regardless of the type of collateral. The commenter asks for clarification of the scope of these two items. The agencies will clarify the scope in the updated instructions.

9. Payment or Gift to Respondents

No payments or gifts will be given to respondents.

10. Confidentiality

Except for selected data items, the Call Report is 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: 1,675 national banks and federal savings associations.

Estimated Time per Response: 59.64 burden hours per quarter to file.

Estimated Total Annual Burden: 399,588 burden hours to file.

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

Clerical:	20% x 399,588 =	79,917.60	@ \$20	= \$	1,598,352.00
Managerial/technical:	65% x 399,588 =	259,732.20	@ \$40	= \$	10,389,288.00
Senior mgmt/professional:	14% x 399,588 =	55,942.32	@ \$80	= \$	4,475,385.60
Legal:	01% x 399,588 =	3,995.88	@ \$100	= \$	<u>399,588.00</u>
Total:				\$	16,862,613.60

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: 412,213 burden hours.

New burden: 399,588 burden hours.

Change: - 12,625 burden hours.

The revisions to the schedule resulted in a slight decrease in burden.

16. Publication

Not applicable.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.