

**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 Consolidated Reports of Condition and Income (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 various sections of the Call Report to eliminate data items that are no longer relevant or reducing the frequency from quarterly to semiannual or annual. The agencies are also planning to create a new reporting form, the FFIEC 051, for smaller banks to report their Call Report information. The FFIEC 051 would represent a material reduction in pages and data items from the current FFIEC 041 version that small banks currently file.

2. Use of Information Collected

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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. The proposed FFIEC 051 is specifically designed to collect information relevant to the agencies' supervision of small entities, and eliminates many data items that are not relevant to, or less useful in, supervising smaller banks.

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 August 15, 2016, the agencies requested comment on proposed revisions to the Call Report to reduce or remove items and to implement the FFIEC 051 for smaller banks.

The agencies received ten comments specifically on the burden estimates. One commenter recommended including time to review instructions for the applicable form, even if data items in that form are not applicable to the institution. The agencies also received comments from institutions with estimates of the time it takes their institutions to prepare the current FFIEC 041 Call Report. The majority of these estimates ranged from 40-80 hours per quarter. Three commenters stated that preparing the Call Report costs approximately \$1,000 annually for software. In response to the comments on methodology, the agencies have revised their calculation for their burden estimates. In addition to the estimated time for gathering and maintaining data in the required form and completing those Call Report data items for which an institution has a reportable (nonzero) amount, which have been included in the agencies' burden estimates, the revised methodology incorporates time for reviewing instructions for all items, even if the institution determines it does not have a reportable amount. The agencies have also added estimated burden hours for verifying the accuracy of amounts reported in the Call Report.

While the agencies' burden estimates are on the lower end of the ranges provided by commenters, these estimates are based on average times to complete each data item factoring in an average level of automation that may not exist at every institution.

The agencies collectively received comments on the substance of the proposal from over 1,100 entities, many commenting on the proposed FFIEC 051 for smaller banks. Approximately 25 commenters representing banking organizations, bankers' associations, and a government entity supported the effort put forth by the agencies. One bankers' association stated that the initial proposal was "a positive step in an ongoing, iterative process" that shows a "modest but material burden relief to institutions eligible to file the [FFIEC 051] report." One institution stated that the proposed FFIEC 051 would assist small banks by reducing preparation time and minimizing confusion by removing schedules related to activities in which the bank does not engage. Another commenter stated that this proposal was a good start by removing items that have no relationship with the reporting institution. Another commenter agreed with the proposal to shorten the length of the Call Report and the instructions, which would reduce the time spent reviewing updates to determine items that may or may not be applicable to the bank. One commenter stated the reduction and the removal of non-relevant data items for noncomplex institutions saves both time and money. The government entity stated it uses certain data items in the Call Report in preparing national economic reports, and encouraged the agencies to continue collecting those items.

On the other hand, the majority of commenters from banking organizations and bankers' associations responded that there was little or no perceived impact by adopting the FFIEC 051. Many of the banking organizations stated that the data items proposed to be removed were not reported currently by their institutions; therefore, the changes would not materially impact their burden in preparing the Call Report. Three of the bankers' associations stated that the agencies removed items largely not reported, and related to activities not engaged in, by community banks. Another institution responded that by making the change to the FFIEC 051, it would add burden at the conversion date with little time savings in future filings. One commenter stated that the inclusion of the supplemental schedule (Schedule SU) could actually increase burden, as banks must use the same processes or new processes to verify the data (or inapplicability) of the new supplemental items.

The agencies recognize that not all community institutions eligible to file the FFIEC 051 will see an immediate and large reduction in burden by switching to that form. Some of the items that were removed from the FFIEC 041 to create the FFIEC 051 only needed to be reported by institutions with assets of \$1 billion or more. Other items not included in the FFIEC 051 applied to institutions of all sizes, but may not have applied to every community institution, due to the nature of each institution's activities. Approximately 100 data items would be collected at a reduced frequency in the FFIEC 051. For example, in creating the FFIEC 051, the agencies have removed from the FFIEC 041 the data items on Schedule RC-L, Derivatives and Off-Balance Sheet Items, in which the more than 700 eligible institutions that have derivative contracts have been required to report the gross positive and negative fair values of these contracts. The agencies also have reduced from quarterly to semiannually the reporting frequency in the FFIEC 051 of Schedule RC-C, Part II, Loans to Small Businesses and Small

Farms, which is applicable to the approximately 5,200 institutions eligible to file the FFIEC 051,¹ and Schedule RC-A, Cash and Balances Due from Depository Institutions, which applies to the more than 1,400 eligible institutions that have \$300 million or more in total assets. Additionally, as noted earlier, the agencies are shortening the instructions associated with the FFIEC 051, so that community bankers will not need to review as many nonapplicable instructions, or the associated changes to those instructions that may occur in the future. Taken together, the agencies believe these changes are a positive step toward providing meaningful Call Report burden relief to community institutions.

A majority of the commenters that did not favor the proposed FFIEC 051 suggested the agencies adopt a “short-form” Call Report to be filed in the first and third quarters. The short-form Call Report recommended by commenters would consist only of an institution’s balance sheet, income statement, and statement of changes in equity capital. The institution would file a full Call Report including all supporting schedules in the second and fourth quarters.

The agencies recognize that the information requested in the Call Report is often more granular than information presented in standard financial statements, including the notes to the financial statements, and can require refining or subdividing the information contained in accounts reported in an institution’s general ledger system or core processing systems. This process may be burdensome, particularly when account balances have not materially changed from the prior quarter. However, one element that sets banking apart from other industries is the regulatory framework, particularly the provision of Federal deposit insurance and the important role of financial intermediation, which requires safety and soundness supervision and examination. A key component of bank supervision is reviewing granular financial data about an institution’s activities to identify changes in those activities and in the institution’s condition, performance, and risk profile from quarter to quarter that suggest areas for further investigation by the institution’s supervisory agency. For example, granular data on loan categories, past due and nonaccrual loans, and loan charge-offs and recoveries² feed into an analysis of credit risk, while data on loan, security, time deposit, and other borrowed money maturities and repricing dates³ feed into analyses of interest rate risk and liquidity risk. Much of this analysis occurs off-site, so an institution may not be aware of the extent of this process unless it identifies anomalies or other “red flags” at the institution. Even then, some anomalies and other “red flags” may be discussed immediately with the institution, while other concerns are flagged for investigation at the next on-site examination. The earlier that anomalies, upon immediate follow-up, are found to evidence deficiencies in risk management or deterioration in an institution’s condition, the less difficult it will be for the institution to implement appropriate corrective action. In this context, with full-scope on-site examinations occurring no less than once during each 18-month period for institutions that have total assets of less than \$1 billion and meet certain other criteria, quarterly data are necessary for many of the data items in the Call Report in order for an institution’s supervisory agency to have a sufficient number of data points to both identify and distinguish between one-time anomalies and developing trends at the institution. Moreover, the agencies note that extending the examination cycle to 18 months for certain qualifying institutions is discretionary, and the analysis of trends in a particular institution’s Call Report

¹ See Section III for further discussion of this change in reporting frequency.

² Reported on Schedules RI-B; RC-C, Part I; and RC-N.

³ Reported on Schedules RC-B; RC-C, Part I; RC-E; and RC-M.

data is a significant factor in deciding whether to exercise that discretion with respect to that institution.

In addition to supporting the identification of higher-risk situations, enabling timely corrective action for such cases, and justifying the extended examination cycle, the quarterly reporting of the more granular Call Report items also aids in the identification of low-risk areas prior to on-site examinations, allowing the agencies to improve the allocation of their supervisory resources and increase the efficiency of supervisory assessments, which reduces the scope of examinations in these areas, thereby reducing regulatory burden. While the quarterly monitoring process enabled by the more granular Call Report items historically has focused on raising “red flags,” similar emphasis has also been placed on the identification of low-risk situations. A six-month reporting cycle for the more granular Call Report items would hamper the agencies’ ability to form timely risk assessments and so could stymie efforts to improve the focus of on-site examinations for low-risk institutions. In this manner, an effort to reduce regulatory burden by lengthening the reporting cycle for the more granular Call Report items could limit the agencies’ opportunities to reduce burden for on-site examinations.

In addition to safety and soundness data, other data items are required quarterly due to various statutes or regulations. Leverage ratios based on average quarterly assets and risk-based capital ratios are necessary under the prompt corrective action framework established under 12 U.S.C. 1831o.⁴ Data on off-balance sheet assets and liabilities are required every quarter for which an institution submits a balance sheet to the agencies pursuant to 12 U.S.C. 1831n.⁵ Granular data on deposit liabilities and data affecting risk assessments for deposit insurance are required four times per year under 12 U.S.C. 1817.⁶

Further, the public availability of most quarterly Call Report information from institutions that are not publicly held is desired by their depositors (particularly those whose deposits are not fully insured), other creditors, investors, and other institutions. An institution’s depositors and other creditors may use quarterly Call Report information to perform their own assessments of the condition of the institution. Existing and potential investors may evaluate Call Report data to assess an institution’s condition and future prospects; the absence of quarterly information could impair the institution’s ability to raise capital or could limit the liquidity of the institution’s shares for existing stockholders. Other institutions that engage in transactions with the reporting institution may utilize Call Report information to assess the condition of their counterparties to these transactions. In addition, some institutions use peer analysis to benchmark against local competitors using data obtained from their Call Reports directly, or by using third-party vendors who often leverage information from the agencies’ repository of Call Report data. For example, as part of their financial control structures, some institutions analyze their allowance for loan and lease losses (ALLL) by comparing their delinquency ratios and their ratios of ALLL to loans and leases to peer group ranges and averages.

While the agencies understand the commenters’ desire for a “short-form” Call Report, for the reasons stated above, the agencies did not adopt this suggestion. In addition to the basic

⁴ Reported on Schedules RC-K and RC-R.

⁵ Reported on Schedule RC-L.

⁶ Reported on Schedules RC-E and RC-O.

financial statements, the most streamlined quarterly report possible must also include quarterly data required by statute or regulation, along with quarterly data necessary for adequate supervision by the agencies. However, as part of the continuing burden reduction efforts, the agencies will continue to review the quarterly data collected in the proposed FFIEC 051 and existing FFIEC 031 and FFIEC 041 reports that go beyond the statutory or regulatory requirements or essential supervisory needs.

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: 1,383 national banks and federal savings associations.

Estimated Time per Response: 50.03 burden hours per quarter to file.

Estimated Total Annual Burden: 276,766 burden hours to file.

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

Clerical:	20% x 276,766 =	55,353	@ \$20 =	\$	1,107,060
Managerial/technical:	65% x 276,766 =	179,898	@ \$40 =	\$	7,195,920
Senior mgmt/professional:	14% x 276,766 =	38,747	@ \$80 =	\$	3,099,760
Legal:	01% x 276,766 =	2,768	@ \$100 =	\$	<u>276,800</u>
Total:				\$	11,679,540

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: 335,265 burden hours.

New burden: 276,766 burden hours.

Change: - 58,499 burden hours.

The revisions to the schedule and especially the creation of the FFIEC 051 version resulted in a significant decrease in burden of approximately 56,778 hours. The remaining reduction of 1,721 hours is due to 29 fewer national banks and Federal savings associations filing the Call Report.

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.