

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

The Office of the Comptroller of the Currency (OCC), in coordination with the Federal Deposit Insurance Corporation (FDIC) and the Board of Governors of the Federal Reserve System (Board), each of which is submitting a separate request, hereby requests approval by July 30, 2018, for revisions to the following currently approved collections of information pursuant to the Office of Management and Budget's (OMB) Paperwork Reduction Act (PRA) emergency processing procedures at 5 CFR § 1320.13 for revisions made June 30, 2018, to the Consolidated Reports of Condition and Income (Call Report), Control No. 1557-0081, which is a currently approved collection of information.

The agencies have determined that (1) the collection of information within the scope of this request is needed prior to the expiration of time periods established under 5 C.F.R. § 1320.10; (2) this collection of information is essential to the mission of the agencies; and (3) the agencies cannot reasonably comply with the normal clearance procedures because an unanticipated event has occurred and the use of normal clearance procedures is reasonably likely to prevent or disrupt the collection of information.

These revisions arise from Congressional enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Section 202 of EGRRCPA requires the FDIC to adjust the definition of reciprocal deposits and brokered deposits reported on the Call Report. Section 214 of EGRRCPA requires the OCC, FDIC, and FRB to revise the definition of high volatility commercial real estate (HVCRE) that banks use to calculate risk-based capital. These provisions became effective automatically when the law was signed on May 24, 2018.

The agencies must receive data from the quarterly Call Reports as part of their missions to supervise the safety and soundness of financial institutions. The next reports are due at the end of July 2018, based on information available as of June 30, 2018. In order for the agencies to implement Sections 202 and 214 as required by law, the agencies cannot comply with the normal clearance process and still receive the June 30, 2018, financial data in a timely manner. Section 214 of EGRRCPA adds a new Section 51 to the FDI Act governing the requirements for certain acquisition, development, or construction (ADC) loans. The agencies may only require a depository institution to assign a heightened risk weight to an HVCRE exposure if such exposure is an "HVCRE ADC Loan," as defined in section 214 of EGRRCPA.

To avoid the regulatory burden associated with applying different definitions for HVCRE exposures within a single organization, the OCC proposes to allow an institution to estimate and report HVCRE exposures on Schedule RC-R, Part II, of the Call Reports using the definition under Section 214 effective for the June 30, 2018, report date. Alternatively, institutions may report HVCRE exposures using the prior definition contained in the agencies' regulatory capital

rules until such time as the agencies amend those rules. At that time, all institutions would need to report HVCRE exposures under the definition in Section 214.

## **Reciprocal Deposits**

Section 202 of EGRRCPA amends Section 29 of the FDI Act (12 U.S.C. 1831f) to exclude a capped amount of reciprocal deposits from treatment as brokered deposits for qualifying institutions. Section 202 also defines “reciprocal deposits” to mean “deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks.” The terms “agent institution,” “deposit placement network,” “covered deposit,” and “network member bank,” all of which are used in the definition of “reciprocal deposit,” also are defined in Section 202.

In particular, an “agent institution” is an FDIC-insured depository institution that meets at least one of the following criteria:

- The institution is well-capitalized and has a composite condition of “outstanding” or “good” when most recently examined under Section 10(d) of the FDI Act (12 U.S.C. 1820(d)); or
- The institution has obtained a waiver from the FDIC to accept, renew, or roll over brokered deposits pursuant to Section 29(c) of the FDI Act (12 U.S.C. 1831f(c)); or
- The institution does not receive reciprocal deposits in an amount that is greater than an “additional cap” (discussed below).

Under the “general cap” set forth in Section 202, an agent institution may classify reciprocal deposits up to the lesser of the following amounts as non-brokered reciprocal deposits:

- \$5 billion, or
- An amount equal to 20 percent of the agent institution’s total liabilities.

However, if an agent institution is either not “well-rated” or not well-capitalized, the institution may classify reciprocal deposits as non-brokered in an amount up to lesser of the “general cap” or the average amount of reciprocal deposits held during the last four quarters since the institution was well-capitalized and in “outstanding” or “good” condition.

An agent institution’s reciprocal deposits in excess of the “general cap” or the “additional cap,” as applicable, must treat the excess reciprocal deposits as brokered deposits.

The current Call Report instructions, consistent with the law prior to the enactment of EGRRCPA, treat all reciprocal deposits as brokered deposits. The FDIC proposes to allow institutions to report pursuant to the new law for the June 30, 2018, Call Report by applying the newly defined terms and other provisions of Section 202 of EGRRCPA to determine whether an institution and its reciprocal deposits are eligible for the statutory exclusion from being treated as brokered deposits. Qualifying institutions may use available information to then reasonably estimate and report as brokered deposits (in Schedule RC-E, Memorandum items 1.b through

1.d), and reciprocal brokered deposits (in Schedule RC-O, item 9 and, if applicable, item 9.a), only those reciprocal deposits that are still considered brokered deposits under the new law.

Alternatively, when reporting as of June 30, 2018, institutions may continue to report reciprocal deposits in Schedules RC-E and RC-O consistent with the current Call Report instructions (i.e., those instructions in effect prior to passage of EGRRCPA).

The FDIC, acting jointly with the other FFIEC member entities, proposes to issue additional instructions regarding the application of Section 202 to reciprocal deposits for purposes of reporting in the Call Report effective for the September 30, 2018, report date, including revising the existing instructions for the brokered deposit items in Schedule RC-E and the reciprocal brokered deposit items in Schedule RC-O to conform to the new law. In addition, the FDIC proposes to add a new Memorandum item 1.g to Schedule RC-E effective for the September 30, 2018, report date in which institutions would report their “Total reciprocal deposits” (as of the report date) in accordance with the definition of this term in Section 202. For the September 30, 2018, report date only, the FDIC further proposes to add a new Memorandum item 1.h to Schedule RC-E in which institutions would report on a one-time basis their “Total reciprocal deposits as of June 30, 2018.”

Because the measurement of an institution’s “additional cap” is based in part on the average amount of reciprocal deposits held during the last four quarters since the institution was well-capitalized and in “outstanding” or “good” condition, the amounts of “Total reciprocal deposits” reported in proposed new Schedule RC-E, Memorandum item 1.g, for those four quarters would be an input to the calculation of the “additional cap” by an institution that no longer meets both of these conditions. The FDIC would also be able to use the reported amounts of “Total reciprocal deposits” to verify the institution’s determination of its “additional cap.” With Section 202 effective upon enactment, the Call Report for June 30, 2018, did not include a data item in which institutions would report the quarter-end amount of their “Total reciprocal deposits” as of that report date. The proposed one-time only Memorandum item 1.h of Schedule RC-E would provide this amount (in the Call Report for September 30, 2018) for both institutions and the FDIC should an institution become either not “well-rated” or not well-capitalized at a future date when the four-quarter look-back period used to calculate its “additional cap” would include June 30, 2018.

From a supervisory perspective, a funding concentration could arise if a significant amount of an institution’s deposits comes from reciprocal deposits obtained through a single deposit placement network, regardless of whether the reciprocal deposits are treated as brokered under Section 202. The FDIC’s examination staff reviews funding concentrations on an institution-by-institution basis. In this regard, to the extent that reciprocal deposits depend upon the existence of a network, these deposits are vulnerable to the financial health of the network. If the network were to fail or exclude an institution from continued use of the network because of deterioration in its condition, the institution could experience liquidity problems. An institution that is a member of a deposit placement network could attract deposits in excess of the deposit insurance limit from customers with whom the institution has no customer relationships. By using the network to place the uninsured portion of these deposits with other institutions and receive equal amounts of insured deposits in return, the institution could use reciprocal deposits

to grow rapidly, but it may have more funds than it can prudently lend or otherwise invest. By collecting data on an institution's "Total reciprocal deposits," as proposed, the identification of significant changes in the reported amounts of such deposits at an institution from would trigger supervisory follow-up.

## 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.

### 2. Use of Information Collected

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.

### 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 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

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: 1,269 national banks and federal savings associations.

Estimated Time per Response: 45.83 burden hours per quarter to file.

Estimated Total Annual Burden: 232,633 burden hours to file.

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

Clerical:	20% x 232,633 =	46,527	@ \$20 = \$	930,540
Managerial/technical:	65% x 232,633 =	151,211	@ \$40 = \$	6,048,440
Senior mgmt/professional:	14% x 232,633 =	32,569	@ \$80 = \$	2,605,520
Legal:	01% x 232,633 =	2,326	@ \$100 = \$	<u>232,600</u>
Total:			\$	9,817,100

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: 248,298 burden hours.

New burden: 232,633 burden hours.

Change: - 15,665 burden hours.

There was a net reduction of 15,665 burden hours. The revisions to the collection resulted in a decrease in burden of approximately 10,532 hours. The remaining reduction of 5,133 hours is due to 28 fewer national banks and Federal savings associations filing the Call Report since the prior revision.

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.