

**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) requests approval from the Office of Management and Budget (OMB) to revise the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051) under the emergency clearance provisions of OMB's regulations. These reports are required of national banks and Federal savings associations and are filed on a quarterly basis. The revisions to the Call Reports that are the subject of this request have been approved by the FFIEC. The Federal Deposit Insurance Corporation (FDIC) and the Office of the Board of Governors of the Federal Reserve System (Board) have also submitted a similar request for OMB review to request this information from banks under their supervision.

The OCC requires the information collected on the Call Reports to fulfill its statutory obligation to supervise national banks and Federal savings associations. These institutions are required to file detailed schedules of assets, liabilities, and capital accounts in the form of a condition report and summary statement as well as detailed schedules of operating income and expense, sources and disposition of income, and changes in equity capital.

The OCC, Board, and FDIC (the agencies) propose to revise the Call Reports effective for reports reflecting the June 30, 2018, report date by adjusting the definitions of reciprocal brokered deposits and brokered deposits, adding data items related to reciprocal brokered deposits, and revising the definition of high volatility commercial real estate (HVCRE) exposures that institutions use to calculate risk-weighted assets and, hence, risk-based capital ratios. The current annual burden for the Call Reports is estimated to be 232,633 hours and the proposed revisions are estimated to increase the annual burden by 203 hours.

Description of Information Collection

The Call Reports, which consist of the Reports of Condition and Income, collect basic financial data from commercial banks in the form of a balance sheet, income statement, and supporting schedules. The Report of Condition contains supporting schedules that provide detail on assets, liabilities, and capital accounts. The Report of Income contains supporting schedules that provide detail on income and expenses.

Within the Call Report information collection system as a whole, there are three reporting forms that apply to different categories of banks: (1) all banks that have domestic and foreign offices (FFIEC 031), (2) banks with domestic offices only (FFIEC 041), and (3) banks with domestic offices only and total assets less than \$1 billion (FFIEC 051).¹

¹ Prior to March 2001, there were four categories of banks and four reporting forms. The FFIEC 031 was filed by banks with domestic and foreign offices and the FFIEC 032, FFIEC 033, and FFIEC 034 were filed by banks with domestic offices only according to the asset size of the bank. Prior to March 2017, there were two categories of

There is no other series of reporting forms that collect this information from all commercial and savings banks. Although there are other information collections that are similar to certain items on the Call Reports, the information they collect would be of limited value as a replacement for the Call Reports.

Proposed Revisions

The agencies propose under the emergency clearance provisions of OMB's regulations to revise the Call Reports effective beginning with the June 30, 2018, report date. 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 CFR 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 agencies to revise the definition of 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 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.

Reciprocal Deposits

Section 202 of EGRRCPA amends section 29 of the Federal Deposit Insurance Act (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:

banks and two reporting forms. The FFIEC 031 was filed by banks with domestic and foreign offices and the (2) the FFIEC 041 was filed by banks with domestic offices only.

- 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)),
- 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 a “special 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.

Any amount of reciprocal deposits in excess of the “general cap” would be treated as, and should be reported in the Call Report as, brokered deposits.

A “special cap” applies if an agent institution is either not “well-rated” or not well-capitalized. In this situation, 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 at quarter-end during the last four quarters the institution was well-capitalized and in “outstanding” or “good” condition.

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 agencies propose 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 agencies propose 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 agencies 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.” These proposed additions would be made to the FFIEC 031, FFIEC 041, and FFIEC 051 Call Reports.

Because the measurement of an institution’s “special cap” is based in part on the average amount of reciprocal deposits held at quarter-end during the last four quarters 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 quarter-end report dates would be an input to the calculation of the “special 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 “special 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) to 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 “special 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.

HVCRE

Section 214 of EGRRCPA adds a new Section 51 to the FDI Act governing the risk-based capital requirements for certain acquisition, development, or construction (ADC) loans. EGRRCPA provides that 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. Accordingly, an institution is permitted to risk weight at 150 percent only those commercial real estate exposures it believes meet the statutory definition of an “HVCRE ADC Loan.”

When reporting HVCRE exposures in the Call Report regulatory capital schedule (Schedule RC-R) as of June 30, 2018, and subsequent report dates, institutions may use available information to reasonably estimate and report only “HVCRE ADC Loans” held for sale and held for investment in Schedule RC-R, Part II, items 4.b and 5.b, respectively. Any “HVCRE ADC Loans” held for trading would be reported in Schedule RC-R, Part II, Item 7. The portion of any “HVCRE ADC Loan” that is secured by collateral or has a guarantee that qualifies for a risk weight lower than 150 percent may continue to be assigned a lower risk weight when completing Schedule RC-R, Part II. Institutions may refine their estimates of “HVCRE ADC Loans” in good faith as they obtain additional information, but they will not be required to amend Call Reports previously filed for report dates on or after June 30, 2018, as these estimates are adjusted.

Alternatively, institutions may continue to report and risk weight HVCRE exposures in a manner consistent with the current Call Report instructions for Schedule RC-R, Part II, until the agencies take further action.

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

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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: 45.87 burden hours per quarter to file.

Estimated Total Annual Burden: 232,836 burden hours to file.

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

| | | | | | |
|---------------------------|-----------------|-----------|-----------|----|----------------|
| Clerical: | 20% x 232,836 = | 46,567.2 | @ \$20 = | \$ | 931,344 |
| Managerial/technical: | 65% x 232,836 = | 151,343.4 | @ \$40 = | \$ | 6,053,736 |
| Senior mgmt/professional: | 14% x 232,836 = | 32,597.04 | @ \$80 = | \$ | 2,607,763.2 |
| Legal: | 01% x 232,836 = | 2,328.36 | @ \$100 = | \$ | <u>232,836</u> |
| Total: | | | | \$ | 9,825,679.2 |

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: 232,633 burden hours.

New burden: 232,836 burden hours.

Change: + 203 burden hours.

The burden per quarter is 45.87 hours for the OCC (totaling 232,836.12 per year). The incremental change related to the emergency clearance is .04 additional burden hours from the final FRN on the Call Report changes in April 2018.

Not applicable.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.