SUPPORTING STATEMENT

Consolidated Reports of Condition and Income

FFIEC 031, 041, and 051
(OMB No. 3064-0052)

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) is requesting approval from the Office of Management and Budget (OMB) to extend for three years, with revision, the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Report). These reports are filed quarterly by FDIC-supervised banks and savings associations (collectively, institutions). The Call Report revisions that are the subject of this request have been approved by the FFIEC. The Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC) are submitting these same Call Report changes for OMB review for the banks and savings associations under their supervision.

In summary, the FDIC, the FRB, and the OCC (collectively, the agencies) are proposing to revise the Call Report information collection to address the revised accounting for credit losses under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13). The agencies also are introducing reporting changes for regulatory capital related to the agencies' recently approved final rule on the implementation of, and capital transition for, the current expected credit losses methodology (CECL). In addition, this submission includes other revisions to the Call Reports resulting from two sections of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), effective upon enactment on May 24, 2018, that affect the information reported in these reports and for which the agencies submitted emergency review requests to OMB that OMB has approved.

Because ASU 2016-13 sets three different effective dates and includes an option for early adoption, the credit loss accounting revisions to the Call Report would begin to take effect March 31, 2019, but would not be fully phased in until December 31, 2022.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

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, performance, and risk profile 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 heightened focus and reduced emphasis 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 as a whole, separate report forms apply to (1) institutions that have domestic and foreign offices and institutions with domestic offices only and consolidated total assets of $100 billion or more (FFIEC 031), (2) institutions with domestic offices only and consolidated total assets less than $100 billion, except those institutions that file the FFIEC 051 (FFIEC 041), and (3) institutions with domestic offices only and total assets less than $1 billion not otherwise required to file the FFIEC 041 (FFIEC 051).

The amount of data required to be reported varies between the three versions of the report form, with the FFIEC 031 report form that, in general, is filed by the largest institutions (i.e., institutions with domestic and foreign offices and institutions with domestic offices only and consolidated total assets of $100 billion or more) having more data items than the FFIEC 041 and FFIEC 051 report forms that, in general, are filed by smaller institutions, i.e., institutions with domestic offices only and consolidated total assets less than $100 billion. Furthermore, within the FFIEC 041 report form, the amount of data required to be reported varies, primarily based on the size of an institution, but also in some cases based on activity levels. The FFIEC 051 report form is a significantly streamlined version of the FFIEC 041, but the amount of data required in the FFIEC 051 also varies depending on the size of an institution and activity levels.

Proposed Revisions: Revised Accounting for Credit Losses under U.S. Generally Accepted Accounting Principles (U.S. GAAP)

In June 2016, the FASB issued ASU 2016-13, which amends existing U.S. GAAP by adding new Topic 326, Credit Losses, to the Accounting Standards Codification (ASC). ASU 2016-13 changes several aspects of existing U.S. GAAP, which is the accounting framework upon which the Call Report instructions are based.[1] These changes include the introduction of the current expected credit losses methodology (CECL) for estimating allowances for credit losses on financial assets measured at amortized cost and certain off-balance sheet credit exposures, a reduction in the number of credit impairment models in existing U.S. GAAP, the replacement of the existing concept of purchased credit-impaired (PCI) assets under existing U.S. GAAP with the new concept of purchased credit-deteriorated (PCD) financial assets, and a modification of the existing accounting practices for impairment on available-for-sale debt securities. The new credit

[1] Under Section 37(a) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(a)), in general, the accounting principles applicable to the Call Report "shall be uniform and consistent with generally accepted accounting principles."

losses accounting standard takes effect in 2020, 2021, or 2022 depending on an institution's characteristics, with early application of the standard permitted for all institutions in 2019. Institutions must apply ASU 2016-13 in their Call Reports in accordance with the effective dates set forth in the ASU.

In response to the changes in accounting for credit losses under ASU 2016-13, the agencies would revise the manner in which data related to credit losses are reported in the Call Report. These changes are necessary to align the information reported in the Call Report with the new accounting standard as it relates to the credit losses for loans and leases, including off-balance sheet credit exposures. The revisions also address the broader scope of financial assets for which an allowance for credit losses must be established and maintained and the elimination of the existing model for PCI assets under the new accounting standard. Throughout the Call Report, the reporting changes generally involve credit loss information on loans and leases held for investment, held-to-maturity (HTM) debt securities, and available-for-sale (AFS) debt securities given the materiality of these asset types to institutions' overall balance sheets as well as the potential materiality of the allowances for credit losses on these assets.

The existing Call Report schedules affected by ASU 2016-13 and for which reporting changes are included in this proposal are:

- Schedule RI – Income Statement
- Schedule RI-B – Charge-offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses
- Schedule RI-C – Disaggregated Data on the Allowance for Loan and Lease Losses [FFIEC 031 and FFIEC 041 only]
- Schedule RI-D – Income from Foreign Offices [FFIEC 031 only]
- Schedule RI-E – Explanations
- Schedule RC – Balance Sheet
- Schedule RC-B – Securities
- Schedule RC-C – Loans and Lease Financing Receivables
- Schedule RC-F – Other Assets
- Schedule RC-G – Other Liabilities
- Schedule RC-H – Selected Balance Sheet Items for Domestic Offices [FFIEC 031 only]
- Schedule RC-K – Quarterly Averages
- Schedule RC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets
- Schedule RC-R – Regulatory Capital
- Schedule RC-V – Variable Interest Entities [FFIEC 031 and FFIEC 041 only]
- Schedule SU – Supplemental Information [FFIEC 051 only]

The broader scope of financial assets for which allowances must be estimated under ASU 2016-13 results in the proposed reporting of additional allowances, and related charge-off and recovery data, in the Call Report and proposed changes to the terminology used to describe allowances for credit losses within the Call Report. To address the broader scope of assets that will have allowances, the agencies propose to change the

allowance nomenclature in the Call Report to consistently use “allowance for credit losses” followed by the specific asset type as relevant, e.g., “allowance for credit losses on loans and leases” and “allowance for credit losses on HTM debt securities.”

By broadening the scope of financial assets for which the need for allowances for credit losses must be assessed to include HTM and AFS debt securities, the new standard eliminates the existing other-than-temporary impairment (OTTI) model for such securities. Subsequent to an institution’s adoption of ASU 2016-13, the concept of OTTI will no longer be relevant and the agencies would no longer capture information on OTTI in the Call Report.

The new accounting standard also eliminates the separate impairment model for PCI loans and debt securities. Under CECL, credit losses on PCD financial assets measured at amortized cost are subject to the same credit loss measurement standard as all other financial assets measured at amortized cost. Subsequent to an institution’s adoption of ASU 2016-13, the agencies would no longer capture information on PCI loans in the Call Report.

While the standard generally does not change the scope of off-balance sheet credit exposures subject to an allowance for credit loss assessment, the FASB decided that, in contrast to existing U.S. GAAP, no credit losses should be recognized on off-balance-sheet credit exposures that are unconditionally cancellable by the issuer. This exclusion of unconditionally cancellable off-balance sheet credit exposures from the allowance for credit losses assessment requires clarification in the Call Report instructions.

The revisions that are the subject of this submission are consistent across the FFIEC 031, FFIEC 041, and FFIEC 051 reporting forms to the extent that the same schedule and data items within these schedules currently exist within each reporting form. The Appendix to this Supporting Statement presents a discussion of the specific Call Report revisions arising from the new credit losses accounting standard for which OMB approval is requested. For each schedule discussed, the affected form number(s) are shown next to the schedule name. Unless otherwise stated in the Appendix, all changes relating to a particular Call Report schedule apply to three versions of the Call Report forms.

Due to the staggered effective dates, ASU 2016-13 will not be implemented by all institutions until December 2022. It is expected that the majority of institutions will implement the standard in the first quarter of 2021 or 2022. As such, the revisions to schedule titles or specific data item captions resulting from the change in nomenclature upon the adoption of CECL generally would not be reflected in the reporting forms until March 31, 2021, as outlined in the schedule-by-schedule descriptions of the reporting changes that are the subject of this submission that are contained in the Appendix to this Supporting Statement. Effective for the March 31, 2021, report date, unless otherwise indicated, the Call Report schedule titles or specific data item captions referencing the “provision for loan and lease losses” and the “allowance for loan and lease losses” would be changed to the “provision for credit losses” and the “allowance for credit losses on loans and leases,” respectively.

In addition, from March 31, 2019, through December 31, 2020, the Call Report form and instructions for each schedule title or data item impacted by the change in nomenclature would include guidance stating how institutions that have adopted ASU 2016-13 would report the data items related to the "provision for credit losses" and "allowance for credit losses," as applicable. For the transition period from March 31, 2021, through December 31, 2022, the reporting form and instructions for each impacted schedule title or data item would be updated to include guidance stating how institutions that have not adopted ASU 2016-13 would report the "provision for loan and lease losses" or the "allowance for loan and lease losses," as applicable.

Proposed Revisions: Sections 202 and 214 of EGRRCPA

On May 24, 2018, EGRRCPA amended various statutes administered by the agencies and affected regulations issued by the agencies. Two of the amendments made by EGRRCPA, as described below, took effect on the day of EGRRCPA's enactment and affect institutions' Call Reports. In response to emergency review requests submitted to OMB on July 31, 2018, the agencies received approval from OMB to revise the reporting of information in the Call Reports on reciprocal deposits and certain high volatility commercial real estate (HVCRE) exposures for the June 30, 2018, report date consistent with the provisions of Sections 202 and 2014 of EGRRCPA, respectively. As a result of OMB's emergency approval, the agencies have undertaken the regular Paperwork Reduction Act (PRA) process with respect to the reporting of HVCRE exposures and reciprocal deposits in the Call Report and have included these reporting changes as part of this submission.

Reciprocal Deposits – Section 29 of the Federal Deposit Insurance Act (FDI Act) (12 U.S.C. 1831f), as amended by Section 202 of EGRRCPA, excepts a capped amount of reciprocal deposits from treatment as brokered deposits for qualifying institutions, effective upon enactment. In this regard, Section 202 establishes a "general cap" and a "special cap," the applicability of which depends upon whether an institution is found to not have a composite condition of "outstanding" or "good" or is determined not to be well capitalized.

The current Call Report instructions, consistent with the law prior to the enactment of EGRRCPA, treat all reciprocal deposits as brokered deposits. When reporting in the Call Report, an institution should now apply the newly defined terms in, and other provisions of, Section 202 to determine whether the institution and its reciprocal deposits are eligible for the statutory exclusion. The institutions should then report as brokered deposits in Schedule RC-E (Memorandum items 1.b through 1.d) and brokered reciprocal deposits in Schedule RC-O (item 9 and, if applicable, item 9.a) only those reciprocal deposits that are considered brokered reciprocal deposits under the new law.

Under OMB's emergency approval, the agencies added a new Memorandum item 1.g, "Total reciprocal deposits (as of the report date)," to Call Report Schedule RC-E for purposes of determining an institution's "special cap," if applicable. The measurement of

the institution's "special cap" would be the average of reciprocal deposits held on the last day of each of the four calendar quarters preceding the calendar quarter in which the institution was found to not have a composite condition of "outstanding" or "good" or was determined not to be well capitalized. In connection with this submission to OMB, the agencies propose to continue to collect Memorandum item 1.g.

HVCRE Exposures – 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, effective upon enactment, 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, a depository institution is permitted to use the statutory definition of an HVCRE ADC Loan in place of the existing definition of HVCRE loan in the agencies' regulatory capital rule when reporting HVCRE exposures held for sale, held for investment, and held for trading in Call Report Schedule RC-R, Regulatory Capital, Part II, Risk-Weighted Assets.

2. Use of Information:

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, performance, or risk profile. 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).

Early Warning Systems (EWS) – 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. In 2017, data visualization features (e.g., graphs and charts) were added to the UBPR to assist users in gaining further value from UBPR ratio data.

The comparative and trend data contained in the UBPR complement the EMS data and are utilized by FDIC supervisory staff 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, performance, and risk profile 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 or exhibiting heightened risk profiles. 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 heightened attention or to place reduced emphasis 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 Report data, with their emphasis on the collection of information for supervisory and surveillance purposes, were not available on a quarterly or, for certain data, a semiannual or annual, 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 in 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.

Section 604 of the Financial Services Regulatory Relief Act of 2006 requires the agencies to review the information and schedules collected in the Call Report every five years in order to reduce or eliminate requirements that are no longer necessary or appropriate. The agencies most recently completed this review in 2017 and submitted an interagency report on the review to the FFIEC. The findings of this review served as the source for the preparation of a summary of the FDIC's and the other FFIEC member entities' uses of the data items in the Call Report. This summary is included as Appendix E of the interagency report to the FFIEC, which is publicly available at https://www.ffiec.gov/pdf/2017_Interagency_Review_Consolidated_Reports_Condition_Income.pdf.

3. Consideration of the use of improved information technology:

All banks and savings associations are subject to an electronic filing requirement for the Call Report. 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 available to banks and savings associations for submitting 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 regulatory capital and other information gathered through the Consolidated Reports of Condition and Income taken as a whole. There are other information collection systems which 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 institutions to determine whether there had been any deterioration in their condition. This is also the case for the FDIC in its role as the deposit insurer of all insured depository institutions because FRB reports would not provide the data required as inputs to the FDIC's deposit insurance assessment systems.

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, 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 3,523 FDIC-supervised banks and savings associations, approximately 16 have stock that is registered with the FDIC pursuant to the Securities Exchange Act. For this nominal 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. <u>Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:</u>

Pursuant to regulations issued by the Small Business Administration (13 CFR 121.201), a "small entity" includes depository institutions with assets of $550 million or less. The FDIC supervises 3,523 insured state nonmember banks and state savings associations. Of this number, about 2,750 have total assets of $550 million or less. Data collected in the Call Report information collection as a whole is tiered to the size and activity levels of reporting institutions.

The Call Report requires the least amount of data from small institutions with domestic offices only and less than $1 billion in total assets that file the streamlined FFIEC 051 report form. Within the FFIEC 051, certain institutions with less than $300 million in

total assets have fewer items applicable to them than do institutions with $300 million to $1 billion in assets. In addition, the supplemental information schedule in the FFIEC 051, which replaced five entire schedules and parts of certain other schedules that had been in the FFIEC 041, includes nine indicator questions with “yes”/”no” responses that ask about an institution’s involvement in certain complex or specialized activities. Only if the response to a particular indicator question is a “yes” is an institution required to complete an average of three indicator items that provide data on the extent of the institution’s involvement in that activity. The next least amount of data is collected from other institutions with domestic offices only that file the FFIEC 041 report form (even if they are eligible to file the FFIEC 051) and have less than $300 million in total assets. Exemptions from reporting certain Call Report data within the FFIEC 041 report form also apply to institutions with less than $500 million and $1 billion in total assets. In both the FFIEC 051 and the FFIEC 041, other exemptions are based on activity levels rather than total assets and these activity-based thresholds tend to benefit small institutions. In addition, as a result of the creation of the FFIEC 051 report form for eligible small institutions effective March 31, 2017, and additional burden-reducing revisions to the FFIEC 051 that took effect June 30, 2018, a significant number of data items in the FFIEC 051 report are now collected semiannually or annually rather than quarterly as they had been before the implementation of the FFIEC 051 report.

6. Consequences to the Federal program if the collection were conducted less frequently:

Collecting Call Report data less frequently than quarterly, or, for certain data items, semiannually or annually, would reduce the FDIC’s ability to identify on a timely basis those institutions experiencing adverse changes in their condition or risk profile. Timely identification enables the FDIC to work with the managements of such institutions to initiate appropriate corrective measures at an early stage to restore the institutions’ safety and soundness. Timely 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). Less frequent submission of Call Report data items collected quarterly would permit deteriorating conditions at institutions to fester considerably longer before they would be detected through the FDIC’s 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. Nevertheless, the Call Report includes specific data items for which the agencies have determined that a quarterly reporting frequency is not considered necessary for some or all institutions, particularly in the streamlined FFIEC 051 Call Report for eligible small institutions.

In addition to supporting the identification of higher-risk situations and enabling timely corrective action for such cases, the quarterly reporting of Call Report data 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.

Furthermore, certain Call Report data items are required quarterly due to various statutes or regulations. Leverage ratios based on average quarterly assets (reported on Schedule RC-K) and risk-based capital ratios (reported on Schedule RC-R) are necessary under the prompt corrective action framework established under 12 U.S.C. 1831o. Data on off-balance sheet assets and liabilities (reported on Schedule RC-L) are required every quarter for which an institution submits a balance sheet to the agencies pursuant to 12 U.S.C. 1831n. Granular data on deposit liabilities and data affecting risk assessments for deposit insurance (reported on Schedules RC-E and RC-O) are required four times per year under 12 U.S.C. 1817.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):

There are no special circumstances. This information collection is conducted in accordance with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

On September 28, 2018, the FDIC, the Federal Reserve Board, and the OCC jointly published an initial Paperwork Reduction Act Federal Register notice proposing to extend, with revision, the Consolidated Reports of Condition and Income and certain other FFIEC reports (83 FR 49160). The comment period ended on November 27, 2018. The agencies received comments on the proposals covered in the notice from two entities, a bankers' association and a bank. The commenters recommended clarifications to the language used in the notice and associated reporting instructions, as well as clarifying edits to the proposed revised reporting forms. The agencies are incorporating appropriate clarifying edits suggested by commenters in the updated Call Report instruction books and report forms.

9. Payment or Gift to Respondents

No payment or gift will be provided to respondents.

10. Any assurance of confidentiality:

At present, all data items collected from individual institutions in the Call Report are publicly available with limited exceptions. In this regard, for all institutions, the amount, if any, reported in Schedule RI-E, item 2.g, "FDIC deposit insurance assessments," is treated as confidential on an individual institution basis. In addition, on the FFIEC 031

and FFIEC 041 versions of the Call Report, the following data are treated as confidential on an individual institution basis:

(1) Amounts reported in Schedule RC-P, items 7.a and 7.b, for representation and warranty reserves for 1-4 family residential mortgages sold to specified parties;
(2) 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 these institutions; and
(3) The table of consumer loans by loan type and probability of default band reported for deposit insurance assessment purposes by large and highly complex institutions in Schedule RC-O, Memorandum item 18.

Furthermore, contact information for depository institution personnel that is provided in institutions' Call Report submissions is not available to the public.

11. Justification for questions of a sensitive nature:

The Call Report contains no questions of a sensitive nature.

12. Estimate of hour burden including annualized hourly costs:

It is estimated that, on average, it will take an FDIC-supervised institution approximately 44.65 hours each quarter on an ongoing basis to prepare and file its Call Report as it is proposed to be revised. This estimate reflects the average ongoing reporting burden for all FDIC-supervised institutions after the proposed revisions that are the subject of this submission have been implemented by all institutions based on the effective date of ASU 2016-13 applicable to individual institutions. The estimated total annual ongoing reporting burden for the 3,523 FDIC-supervised institutions to prepare and file the Call Report after the proposed revisions have taken effect would be 629,208 hours.

The FDIC's estimated average of 44.65 burden hours per quarter reflects the estimates for the FFIEC 031, the FFIEC 041, and the FFIEC 051 reports for the number of FDIC-supervised institutions that currently file each report. When the estimates are calculated by type of report across the three banking agencies, the estimated average burden hours per quarter are 95.47 hours (FFIEC 031), 55.71 hours (FFIEC 041), and 39.77 hours (FFIEC 051). The burden hours for the currently approved reports are 122.43 hours (FFIEC 031), 55.42 hours (FFIEC 041), and 37.98 hours (FFIEC 051), which means that the differences in burden hours between the proposal that is the subject of this submission and the currently approved reports are -26.95 for the FFIEC 031, +0.31 for the FFIEC 041, and +1.79 for the FFIEC 051. The estimated burden per response for the quarterly

filings of the Call Report is an average that varies by agency because of differences in the composition of the institutions under each agency's supervision (e.g., size distribution of institutions, types of activities in which they are engaged, and existence of foreign offices).

The agencies' burden estimate includes 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 as well as time for reviewing instructions for all items, even if the institution determines it does not have a reportable amount, and time for verifying the accuracy of amounts reported in the Call Report. The agencies' estimates of the average times to complete each Call Report data item factor in the varying levels of automation versus manual interventions that exist across institutions for every data item.

Based on a total hourly wage rate of $94 for Call Report preparation and an estimated total ongoing annual reporting burden of 629,208 hours, the total annual cost to all 3,523 FDIC-supervised institutions for this information collection is estimated to be <u>$59.1 million</u>. The hourly rate is based on data from May 2017[2] for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for depository credit intermediation (NAICS 522100), which results in estimated compensation costs of $94 per hour. This estimate is based on the average of the 75th percentile for five occupations, adjusted for inflation, plus an additional 35.7 percent to cover private sector employee benefits.

13. <u>Estimate of start-up costs to respondents:</u>

None.

14. <u>Estimate of annualized costs to the government:</u>

None.

15. <u>Analysis of change in burden:</u>

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 proposed changes to the Call Report information collection that are the subject of this submission.

At present, there are <u>3,523</u> FDIC-supervised institutions, which is <u>110</u> less than previously reported (3,633 previously versus 3,523 now), which results in 440 fewer responses per year for this quarterly report. An analysis of the change in estimated

[2] Last Modified Date: March 31, 2018.

burden for the Call Report information collection for FDIC-supervised institutions as it is proposed to be revised is as follows:

Currently approved burden	637,664 hours
Change Due to Adjustment in Estimate Resulting from Revisions in Reporting Requirements	+ 10,851 hours
Change Due to Reduction in Number of Responses	- 19,307 hours
Requested (new) burden	629,208 hours
Net change in burden:	- 8,456 hours

16. Information regarding collections whose results are planned to be published for statistical use:

Not applicable.

17. Display of Expiration Date:

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.

Appendix

Schedule-by-Schedule Descriptions of the Proposed Changes to the Affected Call Report Schedules

Schedule RI (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the broader scope of financial assets for which provisions will be calculated under ASU 2016-13, the agencies propose to revise Schedule RI, item 4, from "Provision for loan and lease losses" to "Provisions for credit losses on financial assets," effective March 31, 2021. To address the elimination of the concept of OTTI by ASU 2016-13, effective December 31, 2022, the agencies propose to remove Schedule RI, Memorandum item 14, "Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities recognized in earnings." Under the new standard, institutions will recognize credit losses on HTM and AFS debt securities through an allowance for credit losses, and the agencies propose to collect information on the allowance for credit losses on these two categories of debt securities in Schedule RI-B as described below. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Memorandum item 14 will include guidance stating that Memorandum item 14 is to be completed only by institutions that have not adopted ASU 2016-13.

Schedule RI-B (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the broader scope of financial assets for which allowances will be calculated under ASU 2016-13 and for which charge-offs and recoveries will be applicable, the agencies propose to change the title of Schedule RI-B effective March 31, 2019, from "Charge-offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses" to "Charge-offs and Recoveries on Loans and Leases and Changes in Allowances for Credit Losses."

In addition, for the FFIEC 031 and FFIEC 041 only, effective March 31, 2021, to address the change in allowance nomenclature arising from the broader scope of allowances under ASU 2016-13, the agencies propose to revise Schedule RI-B, Part I, Memorandum item 4, from "Uncollectible retail credit card fees and finance charges reversed against income (i.e., not included in charge-offs against the allowance for loan and lease losses)" to "Uncollectible retail credit card fees and finance charges reversed against income (i.e., not included in charge-offs against the allowance for credit losses on loans and leases)."

To further address the broader scope of financial assets for which allowances will be calculated under ASU 2016-13, the agencies propose to revise Schedule RI-B, Part II, to also include changes in the allowances for credit losses on HTM and AFS debt securities. Effective March 31, 2019, the agencies propose to change the title of Schedule RI-B, Part II, from "Changes in Allowance for Loan and Lease Losses" to "Changes in Allowances for Credit Losses."

In addition, effective March 31, 2019, Schedule RI-B, Part II, would be expanded from one column to a table with three columns titled:

- Column A: Loans and leases held for investment
- Column B: Held-to-maturity debt securities
- Column C: Available-for-sale debt securities

From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-B, Part II, would include guidance stating that Columns B and C are to be completed only by institutions that have adopted ASU 2016-13.

In addition, effective March 31, 2019, Schedule RI-B, Part II, item 4, will be revised from “Less: Write-downs arising from transfers of loans to a held-for-sale account” to “Less: Write-downs arising from transfers of financial assets” to capture changes in allowances from transfers of loans from held-to-investment to held-for-sale and from transfers of securities between categories, e.g., from the AFS to the HTM category. Further, effective March 31, 2019, Schedule RI-B, Part II, item 5, will be revised from “Provision for loan and lease losses” to “Provisions for credit losses” to capture the broader scope of financial assets included in the schedule.

Effective March 31, 2019, or the first quarter in which an institution reports its adoption of ASU 2016-13, whichever is later, Schedule RI-B, Part II, item 6, “Adjustments,” would be used to capture the initial impact of applying ASU 2016-13 as of the effective date in the period of adoption, including the initial allowance gross-up for PCD assets as of the effective date. Item 6 also would be used to report the allowance gross-up upon the acquisition of PCD assets on or after the effective date. These adjustments would be explained in items for which preprinted captions would be provided in place of the existing text fields in Schedule RI-E, items 6.a and 6.b, respectively, as proposed below.

In the memorandum section of Schedule RI-B, Part II, on the FFIEC 031 and the FFIEC 041, to address the change in allowance nomenclature arising from the broader scope of allowances under ASU 2016-13, the agencies propose to revise the caption for Memorandum item 3, effective March 31, 2021, from “Amount of allowance for loan and lease losses attributable to retail credit card fees and finance charges” to “Amount of allowance for credit losses on loans and leases attributable to retail credit card fees and finance charges.” Also in the memorandum section of Schedule RI-B, Part II, on the FFIEC 031 and the FFIEC 041, effective December 31, 2022, the agencies propose to remove existing Memorandum item 4, “Amount of allowance for post-acquisition credit losses on purchased credit impaired loans accounted for in accordance with FASB ASC 310-30,” as ASU 2016-13 eliminates the concept of PCI loans and the separate credit impairment model for such loans. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-B, Part II, Memorandum item 4, would specify that this item should be completed only by institutions that have not yet adopted ASU 2016-13.

Given that the scope of ASU 2016-13 is broader than the three financial asset types proposed to be included in the table in Schedule RI-B, Part II, effective March 31, 2019, the agencies propose to also add new Memorandum item 5, "Provisions for credit losses on other financial assets measured at amortized cost," and Memorandum item 6, "Allowance for credit losses on other financial assets measured at amortized cost," to Schedule RI-B, Part II, at the same time. For purposes of Memorandum items 5 and 6, other financial assets would include all financial assets measured at amortized cost other than loans and leases held for investment and held-to-maturity debt securities. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-B, Part II, would include guidance stating that Memorandum items 5 and 6 are to be completed only by institutions that have adopted ASU 2016-13.

Schedule RI-C (FFIEC 031 and FFIEC 041)

Schedule RI-C currently requests allowance information for specified categories of loans held for investment that is disaggregated on the basis of three separate credit impairment models, and the amounts of the related recorded investment, from institutions with $1 billion or more in total assets. ASU 2016-13 eliminates these separate credit impairment models and replaces them with CECL for all financial assets measured at amortized cost. As a result of this change, effective March 31, 2021, the agencies propose to change the title of Schedule RI-C from "Disaggregated Data on the Allowance for Loan and Lease Losses" to "Disaggregated Data on Allowances for Credit Losses."

To capture disaggregated data on allowances for credit losses from institutions that have adopted ASU 2016-13, the agencies propose to create Schedule RI-C, Part II, "Disaggregated Data on Allowances for Credit Losses," effective March 31, 2019. The existing table in Schedule RI-C, which includes items 1 through 6 and columns A through F, would be renamed "Part I. Disaggregated Data on the Allowance for Loan and Lease Losses." From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-C, Part I, would include guidance stating that only those institutions that have not adopted ASU 2016-13 should complete Schedule RI-C, Part I.

The new Part II of this schedule would contain the same six loan portfolio categories and the unallocated category for which data are currently collected in existing Schedule RI-C along with the following portfolio categories for which allowance information would begin to be reported for HTM debt securities:

1. Securities issued by states and political subdivisions in the U.S.
2. Mortgage-backed securities (MBS) (including CMOs, REMICs, and stripped MBS)
3. Asset-backed securities and structured financial products
4. Other debt securities
5. Total allowance for credit losses on HTM securities

For each category of loans in Part II of Schedule RI-C, institutions would report the amortized cost and the related allowance balance in Columns A and B, respectively. The

amortized cost amounts to be reported would exclude any accrued interest receivable that is reported in "Other assets" on the balance sheet. For each category of HTM debt securities in Part II of Schedule RI-C, institutions would report only the related allowance balance. The amortized cost and allowance information on loans and the allowance information on HTM debt securities would be reported quarterly only by institutions with $1 billion or more in total assets, as is currently done with existing Part I of Schedule RI-C.

The agencies will use the securities-related information gathered in proposed Part II of the schedule to monitor the allowance levels and changes in these levels for the categories of HTM debt securities specified above, which would serve as a starting point for assessing the appropriateness of these levels. Further, with the proposed removal of the Call Report item for OTTI losses recognized in earnings (Schedule RI, Memorandum item 14), proposed Schedule RI-C, Part II, will become another source of information regarding credit losses on HTM debt securities, in addition to data proposed to be reported in Schedule RI-B, Part II. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-C, Part II, would include guidance stating that only those institutions with $1 billion or more in total assets that have adopted ASU 2016-13 should complete Schedule RI-C, Part II.

In addition, effective December 31, 2022, the agencies propose to remove the existing Schedule RI-C, Part I. Schedule RI-C, Part II, would then be the only table remaining within this schedule and the "Part II" designation would be removed.

Schedule RI-D (FFIEC 031)

To address the broader scope of financial assets for which provisions will be calculated under ASU 2016-13, effective March 31, 2021, the agencies propose to revise Schedule RI-D, item 3, from "Provision for loan and lease losses in foreign offices" to "Provisions for credit losses in foreign offices."

Schedule RI-E (FFIEC 031, FFIEC 041, and FFIEC 051)

Institutions use item 4 of Schedule RI-E to itemize and describe amounts included in Schedule RI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors." Effective March 31, 2019, the agencies propose to replace the existing text field for Schedule RI-E, item 4.a, with a preprinted caption that would be titled "Adoption of Current Expected Credit Losses Methodology – ASC Topic 326." Institutions will use this item to report the cumulative-effect adjustment (net of applicable income taxes) recognized in retained earnings for the changes in the allowances for credit losses on financial assets and off-balance sheet credit exposures as of the beginning of the fiscal year in which the institution adopts ASU 2016-13. Providing a preprinted caption for this data item, rather than allowing each institution to enter its own description for this cumulative-effect adjustment in the text field for item 4.a, will enhance the agencies' ability to compare the impact of the adoption of ASU 2016-13 across institutions. From March 31, 2019, through

December 31, 2022, the reporting form and instructions for Schedule RI-E, item 4.a, would specify that this item is to be completed only in the quarter-end Call Reports for the remainder of the calendar year in which an institution adopts ASU 2016-13. The agencies anticipate that the preprinted caption for Schedule RI-E, item 4.a, would be removed after all institutions have adopted ASU 2016-13.

For Schedule RI-E, item 6, to address the broader scope of financial assets for which allowances will be maintained under ASU 2016-13, effective March 31, 2019, the agencies propose to revise this item from "Adjustments to allowance for loan and lease losses" to "Adjustments to allowances for credit losses." In addition, effective March 31, 2019, the agencies propose to replace the existing text field for Schedule RI-E, item 6.a, with a preprinted caption that would be titled "Initial allowances for credit losses recognized upon the acquisition of purchased credit-deteriorated assets on or after the effective date of ASU 2016-13." Also, effective March 31, 2019, the agencies propose to replace the existing text field for Schedule RI-E, item 6.b, with a preprinted caption that would be titled "Effect of adoption of current expected credit losses methodology on allowances for credit losses on loans and leases held for investment and held-to-maturity debt securities." Item 6.b would be used to capture the change in the amount of allowances from initially applying ASU 2016-13 to these two categories of assets as of the effective date of the accounting standard in the period of adoption, including the initial allowance gross-up for any PCD assets held as of the effective date. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RI-E, items 6.a and 6.b, would specify that these items are to be completed only by institutions that have adopted ASU 2016-13. The instructions for item 6.b would further state that this item is to be completed only in the quarter-end Call Reports for the remainder of the calendar year in which an institution adopts ASU 2016-13. The agencies anticipate that the preprinted caption for Schedule RI-E, item 6.b, would be removed after all institutions have adopted ASU 2016-13.

Schedule RC (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the broader scope of financial assets for which allowances will be estimated under ASU 2016-13, the agencies propose revisions to the reporting form and instructions to specify which asset categories should be reported net of an allowance for credit losses on the Call Report balance sheet and which asset categories should be reported gross of such an allowance. The agencies determined that the only financial asset category for which separate (i.e., gross) reporting of the amortized cost[3] and the allowance is needed on Schedule RC continues to be item 4.b, "Loans and leases held for investment," because of the large size and overall importance of this asset category and its related allowances in comparison to the total assets reported on the balance sheet by most institutions. For other financial assets within the scope of CECL, the agencies propose that institutions report these assets at amortized cost[4] net of the related allowance for credit losses on Schedule RC.

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[3] Amortized cost amounts to be reported by asset category would exclude any accrued interest receivable on assets in that category that is reported in "Other assets" on the Call Report balance sheet.

[4] See footnote 3.

Effective March 31, 2021, the agencies propose to revise Schedule RC, item 2.a, from "Held-to-maturity securities" to "Held-to-maturity securities, net of allowance for credit losses." From March 31, 2019, through December 31, 2020, the agencies propose to add a footnote to Schedule RC, item 2.a, specifying that institutions should "report this amount net of any applicable allowance for credit losses." Additionally, for Schedule RC, item 3.b, "Securities purchased under agreements to resell," and Schedule RC, item 11, "Other assets," effective March 31, 2019, the agencies propose to add a footnote to these items specifying that institutions should "report this amount net of any applicable allowance for credit losses." From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RC, items 2.a, 3.b, and 11, would specify that reporting such items net of any related allowances for credit losses is applicable only to those institutions that have adopted ASU 2016-13. Given that AFS debt securities are reported on Schedule RC at fair value, the agencies are not proposing any changes to Schedule RC, item 2.b, "Available-for-sale securities," and instead propose reporting allowances for credit losses on AFS debt securities only in Schedule RI-B, Part II.

In addition, to address the change in allowance nomenclature under ASU 2016-13, the agencies propose to revise Schedule RC, item 4.c, from "LESS: Allowance for loan and lease losses" to "LESS: Allowance for credit losses on loans and leases" effective March 31, 2021.

Schedule RC-B (FFIEC 031, FFIEC 041, and FFIEC 051)

Effective March 31, 2019, the agencies propose to revise the instructions to Schedule RC-B to clarify that for institutions that have adopted ASU 2016-13, allowances for credit losses should not be deducted from the amortized cost amounts reported in columns A and C of this schedule.[5] In other words, institutions should continue reporting the amortized cost of HTM and AFS debt securities in these two columns of Schedule RC-B gross of their related allowances for credit losses.

Schedule RC-C (FFIEC 031, FFIEC 041, and FFIEC 051)

Effective March 31, 2021, to address the change in allowance nomenclature, the agencies propose to revise the reporting form and instructions for Schedule RC-C by replacing references to the allowance for loan and lease losses in statements indicating that the allowance should not be deducted from the loans and leases reported in this schedule with references to the allowance for credit losses. Thus, loans and leases will continue to be reported gross of any related allowances or allocated transfer risk reserve in Schedule RC-C, Part I.

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[5] Amortized cost amounts to be reported by securities category in Schedule RC-B would exclude any accrued interest receivable on the securities in that category that is reported in "Other assets" on the Call Report balance sheet.

In addition, to address the elimination of PCI assets by ASU 2016-13, the agencies propose to remove Schedule RC-C, Part I, Memorandum items 7.a and 7.b, in which institutions report the outstanding balance and balance sheet amount, respectively, of PCI loans held for investment effective December 31, 2022. The agencies determined that these items were not needed after the transition to PCD loans under ASU 2016-13 because the ASU eliminates the separate credit impairment model for PCI loans and applies CECL to all loans held for investment measured at amortized cost. From March 31, 2019, through September 30, 2022, the reporting form and instructions for Schedule RC-C, Part I, Memorandum items 7.a and 7.b, would specify that these items should be completed only by institutions that have not yet adopted ASU 2016-13.

Additionally, since ASU 2016-13 supersedes ASC 310-30, the agencies propose to revise Schedule RC-C, Part I, Memorandum item 12, “Loans (not subject to the requirements of FASB ASC 310-30 (former AICPA Statement of Position 03-3)) and leases held for investment that were acquired in business combinations with acquisition dates in the current calendar year,” effective December 31, 2022. As revised, the loans held for investment to be reported in Memorandum item 12 would be those not considered purchased credit deteriorated per ASC 326. From March 31, 2019, through September 30, 2022, the agencies propose to revise the reporting form and instructions for Schedule RC-C, Part I, by adding a statement explaining that, subsequent to adoption of ASU 2016-13, an institution should report only loans held for investment not considered purchased credit deteriorated per ASC 326 in Schedule RC-C, Part I, Memorandum item 12.

Schedule RC-F (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the broader scope of financial assets for which allowances will be applicable under ASU 2016-13, the agencies propose to specify that assets within the scope of the ASU that are included in Schedule RC-F should be reported net of any applicable allowances for credit losses. Effective March 31, 2019, the agencies propose to revise the reporting form and the instructions for Schedule RC-F by adding a statement explaining that, subsequent to adoption of ASU 2016-13, an institution should report asset amounts in Schedule RC-F net of any applicable allowances for credit losses.

In addition, effective March 31, 2019, the agencies propose to add a footnote to item 1, “Accrued interest receivable,” on the reporting form and a statement to the instructions for item 1 that specify that institutions should exclude from this item any accrued interest receivable that is reported elsewhere on the balance sheet as part of the related interest-bearing asset’s amortized cost.

Schedule RC-G (FFIEC 031, FFIEC 041, and FFIEC 051)

To address ASU 2016-13’s exclusion of off-balance sheet credit exposures that are unconditionally cancellable from the scope of off-balance sheet credit exposures for which allowances for credit losses should be measured, the agencies propose to revise the reporting form and instructions for Schedule RC-G, item 3, “Allowance for credit

losses on off-balance-sheet credit exposures," effective March 31, 2019. As revised, the reporting form and instructions would state that institutions that have adopted ASU 2016-13 should report in item 3 the allowance for credit losses on those off-balance-sheet credit exposures that are not unconditionally cancellable.

Schedule RC-H (FFIEC 031)

Effective March 31, 2019, the agencies propose to revise the instructions to Schedule RC-H to clarify that institutions that have adopted ASU 2016-13 should report Schedule RC-H, item 3, "Securities purchased under agreements to resell," at amortized cost net of any related allowance for credit losses, which would be consistent with the proposed reporting of this asset category in Schedule RC – Balance Sheet. Also effective March 31, 2019, the agencies propose to revise the instructions to items 10 through 17 of Schedule RC-H to clarify that, for institutions that have adopted ASU 2016-13, allowances for credit losses should not be deducted from the amortized cost amounts reported for HTM debt securities in column A.[6] This proposed reporting treatment for HTM debt securities is consistent with proposed reporting of the cost amounts of such securities in Schedule RC-B, column A.

Schedule RC-K (FFIEC 031, FFIEC 041, FFIEC 051)

Effective March 31, 2019, the agencies propose to revise the instructions to Schedule RC-K to clarify that, for institutions that have adopted ASU 2016-13, allowances for credit losses should not be deducted from the related amortized cost amounts when calculating the quarterly averages for all debt securities.

Schedule RC-N (FFIEC 031, FFIEC 041, and FFIEC 051)

To address the elimination of PCI assets by ASU 2016-13, the agencies propose to remove Schedule RC-N, Memorandum items 9.a and 9.b, in which institutions report the outstanding balance and balance sheet amount, respectively, of past due and nonaccrual PCI loans effective December 31, 2022. The agencies determined that these items were not needed for PCD loans under ASU 2016-13 given that the ASU eliminates the separate credit impairment model for PCI loans and applies CECL to PCD loans and all other loans held for investment measured at amortized cost. From March 31, 2019, through September 30, 2022, the reporting form and the instructions for Schedule RC-N, Memorandum items 9.a and 9.b, would specify that these items should be completed only by institutions that have not yet adopted ASU 2016-13.

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[6] Amortized cost amounts to be reported by securities category in Schedule RC-H would exclude any accrued interest receivable on the securities in that category that is reported in "Other assets" on the Call Report balance sheet.

Schedule RC-R (FFIEC 031, FFIEC 041, and FFIEC 051)

In connection with the agencies' recently approved final rule on the implementation of CECL and the related transition for regulatory capital (CECL final rule),[7] the agencies are proposing a number of revisions to Schedule RC-R to incorporate new terminology and the optional regulatory capital transition. The reporting changes to Schedule RC-R are tied to the revisions in the CECL final rule. Unless otherwise indicated, the proposed revisions to Schedule RC-R discussed below would take effect March 31, 2019, and would apply to those institutions that have adopted CECL.

The CECL final rule introduces a newly defined regulatory capital term, adjusted allowances for credit losses (AACL), which would replace the term allowance for loan and lease losses (ALLL), as defined under the existing capital rules, for institutions that have adopted CECL. The CECL final rule also provides that credit loss allowances for PCD assets held by these institutions would be netted when determining the carrying value, as defined in the CECL final rule, and, therefore, only the resulting net amount would be subject to risk weighting. In addition, under the CECL final rule, the agencies would provide each institution the option to phase in over the three-year period beginning with the institution's CECL effective date the day-one regulatory capital effects that may result from the adoption of ASU 2016-13.

Adjusted Allowances for Credit Losses Definition and Treatment of Purchased Credit Deteriorated Assets

In general, under the CECL final rule, institutions that have adopted CECL would report AACL amounts in Schedule RC-R items instead of ALLL amounts that are currently reported. Effective December 31, 2022, the agencies are proposing to remove references to ALLL and replace them with references to AACL on the reporting form for Schedule RC-R. From March 31, 2019, through September 30, 2022, the agencies are proposing to revise the instructions to Schedule RC-R to direct institutions that have adopted CECL to use AACL amounts instead of ALLL amounts in calculating regulatory capital. The instructional revisions would affect Schedule RC-R, Part I. Regulatory Capital Components and Ratios, item 30 (FFIEC 051) and item 30.a (FFIEC 031 and 041), "Allowance for loan and lease losses includable in tier 2 capital"; and Schedule RC-R, Part II. Risk-Weighted Assets, item 6, "LESS: Allowance for loan and lease losses"; item 26, "Risk-weighted assets base for purposes of calculating the allowance for loan and lease losses 1.25 percent threshold"; item 28, Risk-weighted assets before deductions for excess allowance for loan and lease losses and allocated transfer risk reserve"; and item 29, "LESS: Excess allowance for loan and lease losses."

In addition, under the CECL final rule, assets and off-balance sheet credit exposures for which any related credit loss allowances are eligible for inclusion in regulatory capital would be calculated and reported in Schedule RC-R, Part II. Risk-Weighted Assets, on a gross basis. Therefore, the agencies would revise the instructions for Schedule RC-R, Part II, Risk-Weighted Assets, item 2.a, "Held-to-maturity securities"; item 3.b,

[7] 84 FR 4222 (February 14, 2019).

"Securities purchased under agreements to resell"; item 5.a, "Residential mortgage exposures" held for investment; item 5.b, "High volatility commercial real estate exposures" held for investment; item 5.c, Held-for-investment "Exposures past due 90 days or more or on nonaccrual"; item 5.d, "All other exposures" held for investment; item 8, "All other assets," and item 9.a, "On-balance sheet securitization exposures: Held-to-maturity securities"; to explain that institutions that have adopted CECL should report and risk weight their loans and leases held for investment, HTM securities, and other financial assets measured at amortized cost gross of their credit loss allowances, but net of any associated allowances on PCD assets.[8]

In addition, effective March 31, 2019, the agencies propose to add a new Memorandum item 4 to Schedule RC-R, Part II, for reporting data by asset category on the "Amount of allowances for credit losses on purchased credit-deteriorated assets." The amount of such allowances for credit losses would be reported separately for "Loans and leases held for investment" in Memorandum item 4.a, "Held-to-maturity debt securities" in Memorandum item 4.b, and, "Other financial assets measured at amortized cost" in Memorandum item 4.c. The instructions for Schedule RC-R, Part II, Memorandum item 4, would specify that these items should be completed only by institutions that have adopted ASU 2016-13.

The agencies also would include footnotes for the affected Schedule RC-R items on the reporting forms to highlight the revised treatment of those items for institutions that have adopted CECL.

CECL Transition Provision

Under the CECL final rule, an institution that experiences a reduction in retained earnings as of the effective date of CECL for the institution as a result of the institution's adoption of CECL may elect to phase in the regulatory capital impact of adopting CECL (electing institution). As described in the CECL final rule, an electing institution would indicate in its Call Report whether it has elected to use the CECL transition provision beginning in the quarter that it first reports its credit loss allowances as measured under CECL. To identify which institutions are electing institutions, the agencies are proposing to revise Schedule RC-R, Part I. Regulatory Capital Components and Ratios, by adding a new item 2.a in which an institution that has adopted CECL would report whether it has or does not have a CECL transition election in effect as of the quarter-end report date. Each institution would complete item 2.a beginning in the Call Report for its first reporting period under CECL and in each subsequent Call Report thereafter until item 2.a is removed from the report. Until an institution has adopted CECL, it would leave item 2.a blank. Effective March 31, 2025, the agencies propose to remove item 2.a from Schedule RC-R, Part I, because the optional three-year phase-in period will have ended for all electing institutions by the end of the prior calendar year. If an individual electing institution's three-year phase-in period ends before item 2.a is removed (e.g., its phase-in

[8] Amortized cost amounts to be reported by asset category in Schedule RC-R, Part II, would exclude any accrued interest receivable on assets in that category that is reported in "Other assets" on the Call Report balance sheet.

period ends December 31, 2022), the institution would change its response to item 2.a and report that it does not have a CECL transition election in effect as of the quarter-end report date.

During the CECL transition period, an electing institution would need to make adjustments to its retained earnings, temporary difference deferred tax assets (DTAs), AACL, and average total consolidated assets for regulatory capital purposes. An advanced approaches electing institution also would need to make an adjustment to its total leverage exposure. These adjustments are described in detail in the CECL final rule.

The agencies would revise the instructions to Schedule RC-R, Part I. Regulatory Capital Components and Ratios, item 2, “Retained earnings”; items 30 (FFIEC 051) and 30.a (FFIEC 031 and 041), “Allowance for loan and lease losses includable in tier 2 capital”; item 36, “Average total consolidated assets”; and item 45.a (FFIEC 031 and 041), “Total leverage exposure”; and Schedule RC-R, Part II. Risk-Weighted Assets, item 8, “All other assets,” consistent with the adjustments to these items for the applicable transitional amounts as described in the CECL final rule for the reporting by electing institutions of the adjusted amounts. The agencies also would include footnotes on the reporting forms to highlight the changes to these items for electing institutions.

Schedule RC-V (FFIEC 031 and FFIEC 041)

The agencies propose to clarify in the instructions effective March 31, 2019, that all assets of consolidated variable interest entities should be reported net of applicable allowances for credit losses by institutions that have adopted ASU 2016-13. Net reporting on Schedule RC-V by such institutions is consistent with the proposed changes to Schedules RC and RC-F. Similarly, effective March 31, 2019, the reporting form for Schedule RC-V will also specify that institutions that have adopted ASU 2016-13 should report assets net of applicable allowances.

Schedule SU (FFIEC 051)

To address the change in allowance nomenclature arising from the broader scope of allowances under ASU 2016-13, the agencies propose to revise Schedule SU, item 8.c, effective March 31, 2021, from “Amount of allowance for loan and lease losses attributable to retail credit card fees and finance charges” to “Amount of allowance for credit losses on loans and leases attributable to retail credit card fees and finance charges.”