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 (FFIEC 031, FFIEC 041, and FFIEC 051), also known as the Call Report. The revisions to the Call Report that are the subject of this request have been approved by the FFIEC, of which the OCC, the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (the agencies) are members. The Board and the FDIC have also submitted a similar request for OMB review to request this information from banks under their supervision.

The OCC proposes to revise the Call Report to implement revised reporting consistent with various recent revisions to the risk-based capital rules, as discussed in the "Proposed Revisions" section below. The current total annual burden for the Call Report would materially decrease based on the proposed revisions.

Proposed Revisions

The agencies are proposing reporting revisions to the Call Report to implement revisions from the associated final regulatory capital rules described below. The agencies are also proposing to revise two items associated with lease liabilities and home equity lines of credit to improve supervisory data collected on the Call Report.

Capital Simplifications Final Rule

On July 22, 2019, the agencies published a final rule amending their regulatory capital rule to make a number of burden-reducing changes to the capital rule (capital simplifications rule) for smaller banking organizations.[1] The agencies are permitting these institutions to implement the capital simplifications rule on January 1, 2020.[2] Generally, the final rule permits a streamlined calculation of regulatory capital amounts, particularly for institutions with mortgage servicing assets, deferred tax assets, and investments in other financial institutions.

The agencies propose to revise the FFIEC 041 and FFIEC 051 versions of the Call Report to reflect the updated calculation methods. All of the existing filers of the FFIEC 051 and 99% of the filers of the FFIEC 041 are eligible to use the simplified method. The agencies also propose to revise the FFIEC 031 Call Report to permit institutions to use the simplified calculation if eligible or the standard calculation if ineligible. In connection with this revision, the agencies also propose that institutions currently filing the FFIEC 041 that are ineligible to use the simplified calculation would instead be required to file the FFIEC 031 version.

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[1] 84 FR 35234 (July 22, 2019).

[2] 84 FR 61804 (November 13, 2019).

These proposed changes are expected to have an immaterial impact on reporting burden. Most qualifying institutions do not have significant mortgage servicing assets, deferred tax assets, or investments in other institutions, which give rise to the primary differences between the standard calculation and simplified calculation.

Community Bank Leverage Ratio Final Rule

In November 2019, the agencies published a final rule to provide a simplified alternative measure of capital adequacy, the community bank leverage ratio (CBLR), for qualifying community banking organizations with less than $10 billion in total consolidated assets (CBLR final rule).[3] Under the CBLR final rule, banking organizations that have less than $10 billion in total consolidated assets, meet risk-based qualifying criteria, and have a leverage ratio of greater than 9 percent are eligible to opt into the CBLR framework starting with the March 31, 2020 Call Report. A banking organization that opts into the CBLR framework, maintains a leverage ratio of greater than 9 percent, and meets the other qualifying criteria will not be subject to other risk-based and leverage capital requirements.

In connection with the final rule, the agencies are proposing revisions to all three versions of the Call Report to permit qualifying community banks to calculate and report using the CBLR framework. The proposed changes would add a number of line items to reflect the CBLR calculation and qualifying criteria; qualifying banks can choose to report either the CBLR items or items under the existing risk-based capital framework.

The proposed changes are expected to have a significant decrease in reporting burden for qualifying institutions that choose to use the CBLR. There are significantly fewer reporting data items requested under the CBLR framework than under the existing risk-based capital framework, and the CBLR items are significantly easier to calculate from the bank's existing systems.

Capital Tailoring Final Rule

On November 1, 2019, the agencies published a final rule to revise the criteria for determining the applicability of regulatory capital and liquidity requirements for large U.S. banking organizations and the U.S. intermediate holding companies of certain foreign banking organizations (tailoring final rule).[4]

Under the tailoring final rule, the most stringent set of standards (Category I) applies to U.S. global systemically important banks (GSIBs). The second set of standards (Category II) applies to banking organizations that are very large or have significant international activity but are not GSIBs. Like Category I, this category generally includes standards that are based on standards that reflect agreements reached by the Basel Committee on Banking Supervision. The third set of standards (Category III) applies to banking organizations with $250 billion or more in total

[3] 84 FR 61776 (November 13, 2019).

[4] 84 FR 59230.

consolidated assets that do not meet the criteria for Category I or II. The third set of standards also applies to banking organizations with total consolidated assets of $100 billion or more, but less than $250 billion, that meet or exceed other specified risk-based indicators. The fourth set of standards (Category IV) applies to banking organizations with total consolidated assets of $100 billion or more that do not meet the thresholds for one of the other categories.

In connection with the tailoring final rule, the agencies are proposing to require all Category I and II institutions to file the FFIEC 031 version of the Call Report as well. Consistent with these institutions being the largest and most complex, the agencies believe the higher level of detail provided in the FFIEC 031 compared with the other Call Reports is necessary to supervise their activities for safety and soundness.

The proposed revisions are expected to have an immaterial impact on Category I and II institutions. The largest institutions in these categories already file the FFIEC 031 due to their extensive foreign operations. The changes would require some subsidiaries of the top-tier Category I and II holding companies or insured depository institutions to also file the FFIEC 031. The agencies do not believe this will create a significant amount of burden, as institutions generally prepare reporting using the same systems and already would have the information available at the subsidiary level in order to calculate the consolidated amounts for the top-tier institutions to report on the FFIEC 031 today.

Supplementary Leverage Ratio for Custodial Banks Final Rule

On November 19, 2019, the agencies announced that they had finalized the proposed revisions to the SLR for certain central bank deposits of banking organizations predominantly engaged in custodial activities.[5] The final rule, which implements section 402 of the EGRRCPA, takes effect April 1, 2020. The final rule generally allows for a deduction of custodial assets from the supplementary leverage ratio calculation of qualifying custodial banks.

The agencies are proposing to add a new item in the calculation of the leverage ratio on all three versions of the Call Report to permit qualifying custodial banks to deduct central bank deposits when calculating this ratio.

The proposed revisions are expected to have a de minimis impact on reporting burden for custodial banks.

Standardized Approach for Counterparty Credit Risk Final Rule

On November 19, 2019, the agencies announced that they had adopted a final rule implementing a new approach for calculating the exposure amount of derivative contracts under the capital rule: the standardized approach for counterparty credit risk (SA-CCR final rule).[6] The SA-CCR final rule takes effect April 1, 2020 with a mandatory compliance date of January 1, 2022.

[5] *See* the custodial bank SLR final rule attached to OCC News Release 2019-135, dated November 19, 2019.

[6] *See* the SA-CCR final rule attached to OCC News Release 2019-136, dated November 19, 2019.

The SA-CCR final rule replaces the current exposure methodology (CEM) with SA-CCR in the capital rule for advanced approaches institutions. The final rule requires Category I and II banking organizations (as described in the Capital Tailoring Final Rule), to use SA-CCR to calculate their standardized total risk-weighted assets and permits non-advanced approaches banking organizations the option of using SA-CCR in place of CEM to calculate the exposure amount of their noncleared and cleared derivative contracts.

To implement the reporting associated with the final rule, the agencies are revising the instructions for all three versions of the Call Report, to require institutions using the SA-CCR methodology to report derivatives exposures consistent with that new methodology, rather than under the prior CEM methodology. While the SA-CCR methodology is required only for Category I and II institutions, all other institutions can voluntarily choose to use it as well.

The proposed revisions are expected to have a limited impact on Category I and II institutions, primarily at adoption, as they are replacing one calculation method (CEM) with the new SA-CCR method. The new SA-CCR reporting may be slightly more efficient as it could leverage existing internal bank reporting for risk management purposes. The agencies do not expect any other institutions to voluntarily adopt the SA-CCR framework.

High Volatility Commercial Real Estate (HVCRE) Final Rule

On December 13, 2019, the agencies published a final rule that conforms the HVCRE exposure definition in section 2 of the capital rule[7] to the statutory definition of an HVCRE ADC loan[8] and clarifies the capital treatment for loans that finance the development of land under the revised HVCRE exposure definition (HVCRE final rule).[9] This final rule takes effect April 1, 2020.

The proposed revisions make an instructional change to the regulatory capital calculation for risk-weighted assets for HVCRE exposures to align with the statutory revision to the definition.

The proposed revisions are expected to have a *de minimis* impact on institutions filing the Call Report, as the new HVCRE definition is not significantly different from the prior HVCRE definition.

Operating Lease Liabilities

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, “Leases,” which added Topic 842, Leases, to the Accounting Standards Codification (ASC). Once ASU 2016-02 is effective for an institution, the ASU’s accounting requirements, as amended by certain subsequent ASUs, supersede ASC Topic 840, Leases. Generally, the new accounting standard requires firms to report a “right of use” asset associated with a lease, as well as a corresponding liability amount for future lease payments on that asset.

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[7] *See* 12 CFR 3.2 (OCC).

[8] See Section 214 of the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018.

[9] 84 FR 68019 (December 13, 2019).

The agencies are proposing to revise the Call Report in connection with this change in accounting standards to permit institutions to report the liabilities associated with future lease payments as either other borrowings or as other liabilities.

The agencies believe this proposed revision will have an immaterial impact on burden and may slightly reduce burden as institutions already report the liabilities under one of those two categories for internal reporting purposes and can use the same method for regulatory reporting.

Reporting of Home Equity Lines of Credit (HELOC)

A HELOC is a line of credit secured by a lien on a 1–4 family residential property that generally provides a draw period followed by a repayment period. During the draw period, a borrower has revolving access to unused amounts under a specified line of credit. During the repayment period, the borrower can no longer draw on the line of credit, and the outstanding principal is either due immediately in a balloon payment or repaid over the remaining loan term through monthly payments. Because the Call Report instructions do not address the reporting treatment for a home equity line of credit when it reaches its end-of-draw period and converts from revolving to non-revolving status, the agencies have found diversity in how these credits are reported in Call Report items that use the definitions of these three loan categories.

The agencies propose to add a new item to all versions of the Call Report to require banks to report the amount of HELOCs that are past the draw period but are still being reported as “open-end” loans, in a separate memorandum item. The agencies believe this revision balances the need for the information against the burden on institutions to adjust their reporting of these loans, and will permit institutions until March 31, 2021, to implement the revised item.

The proposed change is expected to have a small increase in burden for some institutions. For institutions that already reclassify HELOCs past the draw period as “closed-end” loans, there would be no change to their existing reporting. Only institutions that continue to report these loans as “open-end” would be required to further identify and report the amount of those HELOCs that are no longer in the draw period. The agencies believe most institutions already identify those loans in connection with internal risk reporting, as there can be significant differences in risk between HELOCs in the draw period and HELOCs after the draw period.

A. JUSTIFICATION

1. Circumstances and Need:

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.

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.

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), total assets of $100 billion or more, or are Category I or II institutions (2) banks with domestic offices only (FFIEC 041), and (3) banks with domestic offices only with total assets of $5 billion or less (FFIEC 051).

2. Use of Information Collected:

Institutions submit Consolidated Reports of Condition and Income (Call Report) data to the agencies each quarter for the agencies' use in monitoring the condition, performance, and risk profile of individual institutions and the industry as a whole. Call Report data provide the most current statistical data available for evaluating institutions' corporate applications, identifying areas of focus for on-site and off-site examinations, and monetary and other public policy purposes. The agencies use Call Report data in evaluating interstate merger and acquisition applications to determine, as required by law, whether the resulting institution would control more than ten percent of the total amount of deposits of insured depository institutions in the United States. Call Report data are also used to calculate institutions' deposit insurance and Financing Corporation assessments and national banks' and federal savings associations' semiannual assessment fees.

3. Use of Technology to Reduce Burden:

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

4. Efforts to Identify Duplication:

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.

5. *Minimizing the Burden on Small Entities:*

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

6. *Consequences of Less Frequent Collection:*

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

7. *Special circumstances necessitating collection inconsistent with 5 CFR part 1320:*

Not applicable.

8. *Consultation with Persons Outside the OCC:*

<u>60-day Federal Register Notice</u>
The OCC, along with the FDIC and Board, requested comment for 60 days on the proposed changes through a notice published in the Federal Register on October 4, 2019. See 84 FR 53227.

The agencies received comments on the proposals covered in the notice from four entities: three bankers' association and a bank.

Capital Simplifications and Tailoring Final Rules

The agencies received comment from Category III institutions that requested clarity on which version of the Call Report they are permitted to use. In response, the agencies revised the instructions to continue to permit Category III institutions to file the FFIEC 041 Call Report and would not require them to switch to the FFIEC 031 Call Report.

The agencies also received comment from Category I and II institutions that objected to requiring their subsidiaries to file the FFIEC 031 version of the Call Report. As Category I and II institutions represent the largest and most complex globally-active financial institutions, the agencies believe it is appropriate to require them to file the FFIEC 031, which is the most detailed version of the Call Report. The change also permits the agencies to simplify the current FFIEC 041 Call Report to remove a number of items that are applicable only to the Category I and II institutions and not to the other 99% of institutions that use that report form.
Community Bank Leverage Ratio Final Rule

The agencies received one comment requesting the addition of one or more new items for an institution to identify whether it meets the CBLR criteria and whether it has chosen to use the

CBLR methodology. The agencies agree that it would be helpful to know whether an institution is both qualified to use and actually uses the CBLR methodology in any quarter, and therefore is revising the collection to add one new "yes/no" item for reporting of CBLR. The agencies do not need any further detail on CBLR banks as recommended by the commenter and therefore are not adding any additional items.

The agencies also received comments expressing concerns about moving certain leverage ratio capital items to other locations on Schedule RC-R of the Call Reports. The agencies believe that moving these items would improve the clarity of the Call Reports by consolidating all of the regulatory capital information required from CBLR institutions in one location, rather than requiring these institutions to report information in various parts of existing schedules. Therefore, the agencies did not accept the commenters suggestion to leave the items in their current locations on the forms.

Standardized Approach for Counterparty Credit Risk (SA-CCR) Final Rule

The agencies received a few comments requesting clarification on the calculation of derivatives exposures in the Call Report under SA-CCR. Generally, institutions asked whether derivatives exposures should be reported consistent with Generally Accepted Accounting Principles (GAAP) or consistent with SA-CCR on various schedules. The agencies are clarifying that SA-CCR only applies for regulatory capital purposes, and therefore institutions that are required to use SA-CCR must report derivatives exposures for regulatory capital purposes following SA-CCR. For all other portions of the Call Report, which generally must be consistent with GAAP, institutions must report derivatives exposures under GAAP.

Commenters also asked whether the agencies continue to need reporting of fair value of collateral held against over-the-counter (OTC) derivative exposures by type of collateral and type of derivative counterparty in Schedule RC-L, item 16.b. The data items for reporting the fair value of collateral are applicable to institutions with total assets of $10 billion or more. The agencies use this information in their oversight and supervision of banks engaging in OTC derivative activities. The breakdown of the fair value of collateral posted for OTC derivative exposures in item 16.b provides the agencies with important insights into the extent to which collateral is used as part of the credit risk management practices associated with derivative credit exposures to different types of counterparties and changes over time in the nature and extent of the collateral protection. Therefore, the agencies plan to continue collecting this information.

Reporting Home Equity Lines of Credit (HELOCs)

The agencies received several comments opposing an initial plan to require all institutions to reclassify HELOCs past the draw period to "closed-end" loans. Commenters suggested an alternate approach of requiring reporting only of new HELOCs that move past the draw period in a new memorandum item. The agencies agree with the commenters' suggestion and revised the proposal to reflect a new memorandum item to report only new HELOCs that move past the draw period after January 1, 2021. This change will significantly reduce burden on institutions that do not already reclassify HELOCs past the draw period from "open-end" to "closed-end" loans.

30-day Federal Register Notice

The OCC, along with the FDIC and Board, subsequently requested comment for 30 days on the proposed changes through a notice published in the Federal Register on January 27, 2020. See 85 FR 4780.

The agencies received comments on the proposed reporting changes to the Call Report from two parties. These comments requested further clarification on the Call Report revisions arising from the agencies' final rule on the standardized approach for counterparty credit risk (SA-CCR) on derivative contracts. One comment related to revisions for the FDIC's deposit insurance assessment calculation, which is being addressed separately by the FDIC.

One comment requested revisions to the agencies' proposed instructional clarification stating that an institution that uses SA-CCR to calculate exposure amounts should report the "SA-CCR notional" amount of a derivative in Schedule RC-R, Regulatory Capital. The SA-CCR final rule refers to this notional amount as the "adjusted notional amount." Institutions report the notional amounts of over-the-counter and centrally cleared derivative contracts by remaining maturity in Schedule RC-R, Part II, Memorandum items 2 and 3. The commenter recommended that the reporting of notional amounts in Schedule RC-R by institutions that use SA-CCR should continue to be based on the contractual notional amount, i.e., the notional amount as defined in U.S. generally accepted accounting principles, consistent with current practice in Schedule RC R. On the 60-day Federal Register notice, the agencies proposed to use contractual notionals, and this same commenter requested that the agencies require SA-CCR notionals instead. Therefore, the agencies will revert to the treatment originally proposed and clarify the instructions for Schedule RC-R, Part II, Memorandum items 2 and 3, to indicate that all institutions, including those that use SA-CCR to calculate exposure amounts, should report contractual notional amounts.

The agencies also received a comment requesting that they clarify the instructions for Schedule RC-R, Part II, items 20, "Over-the-counter derivatives," and 21, "Centrally cleared derivatives," with respect to where the client-facing leg of a derivative cleared through a central counterparty or a qualified central counterparty should be reported. The agencies will clarify the instructions for these items to explain that the client-facing leg of such a derivative should be reported in item 20 as an over-the-counter derivative.

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: 1,143 national banks and federal savings associations.

Estimated Time per Response: 41.24 burden hours per quarter to file.

Estimated Total Annual Burden: 188,549 burden hours to file.

The estimated average burden hours collectively reflect the estimates for the FFIEC 051, the FFIEC 041, and the FFIEC 031 reports for each agency. When the estimates are calculated by type of report across the agencies, the estimated average burden hours per quarter are 36.70 (FFIEC 051), 50.11(FFIEC 041), and 95.42 (FFIEC 031). The estimated burden hours for the currently approved reports are 40.27 (FFIEC 051), 53.72 (FFIEC 041), and 95.60 (FFIEC 031), so the revisions proposed in this notice would represent a reduction in estimated average burden hours per quarter of 3.57 (FFIEC 051), 3.61 (FFIEC 041), and 0.18 (FFIEC 031). The change in burden is predominantly due to changes associated with the community bank leverage ratio final rule. The reduction in average burden hours is significantly less for the FFIEC 031 than for the FFIEC 041 or the FFIEC 051 because greater percentages of institutions that would be eligible to report under the proposed community bank leverage ratio framework currently file the FFIEC 041 or the FFIEC 051 than the FFIEC 031.[10]

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

188,549 hours @ $114/hour = $21,494,586.

To estimate wages, we reviewed May 2018 data for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for credit intermediation and related activities excluding nondepository credit intermediaries (NAICS 5220A1). To estimate compensation costs associated with the rule, we use $114 per hour, which is based on the average of the 90th percentile for nine occupations adjusted for inflation (2.8 percent as of Q1 2019 according to the BLS), plus an additional 33.2 percent for benefits (based on the percent of total compensation allocated to benefits as of Q4 2018 for NAICS 522: credit intermediation and related activities).

13. Capital, Start-up, and Operating Costs:

Not applicable.

14. Estimates of Annualized Cost to the Federal Government:

Not applicable.

[10] For estimating burden hours, the agencies assumed 60 percent of eligible institutions would use the framework.

15. Change in Burden:

Prior burden: 1,178 respondents x 44.45 hours/quarter x 4 quarters = 209,448 hours

New burden: 1,143 respondents x 41.24 hours/quarter x 4 quarters = 188,549 hours

The change in burden represents a decrease of 20,899 hours. Of this amount, a reduction of 14,676 burden hours is due primarily to simplified reporting associated with the Community Bank Leverage Ratio final rule. The remaining reduction of 6,223 burden hours is due to 35 fewer institutions subject to the OCC's supervision.

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

Not applicable.

17. Exceptions to Expiration Date Display:

None.

18. Exceptions to Certification:

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.