

SUPPORTING STATEMENT (Version 2)
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 Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 3064-0052). These reports are required of insured state nonmember banks and insured state savings associations and are filed on a quarterly basis. The Federal Reserve Board (FRB or Board) and the Office of the Comptroller of the Currency (OCC) are submitting these same Call Report changes to OMB for the institutions under their supervision.

In summary, the FDIC, the FRB, and the OCC (collectively, the agencies) are proposing to revise the Call Report information collections to implement various changes to the agencies' regulatory capital rules in response to several recently adopted final rules. The changes to the agencies' regulatory capital rules are capital simplifications rule,¹ the community bank leverage ratio (CBLR) rule,² the tailoring rule,³ the supplementary leverage ratio (SLR) revisions for certain central bank deposits of custodial banks,⁴ the rule for the standardized approach for counterparty credit risk (SA-CCR) on derivative contracts,⁵ and the high volatility commercial real estate (HVCRE) exposures rule.⁶

The agencies also are proposing a change in the scope of the FFIEC 031 Call Report; a change in the reporting of construction, land development, and other land loans with interest reserves; instructional revisions for reporting operating lease liabilities; and instructional revisions and a new data item for home equity lines of credit (HELOCs) that convert from revolving to non-revolving status.

The agencies propose to make the capital-related reporting changes identified above effective the same quarters as the effective dates of the related final capital rules. Thus, the Call Report revisions would take effect March 31, 2020, for the capital simplifications rule, the CBLR rule, and the tailoring rule. In addition, the filing of the FFIEC 031 Call Report by all institutions that are advanced approaches institutions under the tailoring final rule and the filing of the FFIEC 031 or FFIEC 041 Call Report, as appropriate, by institutions considered Category III institutions under this rule would take

¹ See 84 FR 35234 (July 22, 2019) and 84 FR 61804 (November 13, 2019).

² See 84 FR 61776 (November 13, 2019).

³ See 84 FR 59231 (November 1, 2019).

⁴ See 85 FR 4569 (January 27, 2020).

⁵ See 85 FR 4362 (January 24, 2020).

⁶ See 84 FR 68019 (December 13, 2019).

effect as of March 31, 2020. Non-advanced approaches institutions may elect to wait to adopt the capital simplifications rule for reporting purposes until the June 30, 2020, report date. The Call Report revisions would take effect June 30, 2020, for the custodial bank SLR final rule, the SA-CCR final rule, and the HVCRE exposures final rule. However, the mandatory compliance date for reporting in accordance with the SA-CCR final rule is the March 31, 2022, report date. The Call Report revisions for operating lease liabilities would take effect March 31, 2020, and for construction, land development, and other land loans with interest reserves would take effect March 31, 2021. The instructional revisions applicable to HELOCs would take effect in the first quarter of 2021, with the new data item for HELOCs that convert from revolving to non-revolving status taking effect March 31, 2021, in the FFIEC 031 and the FFIEC 041 Call Reports and June 30, 2021, in the FFIEC 051 Call Report.

For FDIC-supervised institutions, the current annual burden for the Call Reports is estimated to be 605,206 hours and the proposed revisions are estimated to decrease the annual burden by 71,109 hours to 534,097 hours.

JUSTIFICATION

1. Circumstances and Need

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 insured 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 assessments; and other public purposes.

At present 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 \$5 billion not otherwise required to file the FFIEC 041 (FFIEC 051). Under the current proposal, all institutions that are advanced approaches institutions for regulatory capital purposes, regardless of size, would file the FFIEC 031 Call Report.

The amount of data required to be reported varies between the three versions of the report forms, with the FFIEC 031 report form, which, 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 that includes numerous data items that are collected less frequently than quarterly, but the amount of data required in the FFIEC 051 also varies depending on the size of an institution and activity levels.

Proposed Revisions That are the Subject of This Proposal

Changes to Implement the Capital Simplifications Final Rule

The capital simplifications final rule would make a number of changes to the calculation of common equity tier 1 (CET1) capital, additional tier 1 capital, and tier 2 capital for non-advanced approaches institutions that do not apply to advanced approaches institutions. Technical amendments within the final rule were effective October 1, 2019; the rule's other amendments are effective January 1, 2020, but non-advanced approaches institutions may choose to wait to adopt the amendments effective April 1, 2020. Thus, the capital simplifications rule results in different sets of calculations for these tiers of regulatory capital for non-advanced approaches institutions and advanced approaches institutions. At present, the FFIEC 031 and the FFIEC 041 Call Reports are completed by both non-advanced approaches institutions and advanced approaches institutions while only non-advanced approaches institutions are eligible to file the FFIEC 051 Call Report. To mitigate the complexity of revising existing Schedule RC-R, Part I, Regulatory Capital Components and Ratios, to incorporate the different sets of regulatory capital calculations for non-advanced approaches institutions and advanced approaches institutions, and to reflect the effects of the capital simplifications rule in both the FFIEC 031 and FFIEC 041 Call Reports, the agencies would require all advanced approaches institutions to file the FFIEC 031 Call Report effective as of the March 31, 2020, report date.

As a result, the agencies would adjust the existing regulatory capital calculations reported on Schedule RC-R, Part I, for the FFIEC 041 Call Report, and also for the FFIEC 051 Call Report, to reflect the effects of the capital simplifications rule for non-advanced approaches institutions. For the FFIEC 031 Call Report, which is filed by the smallest number of institutions, the agencies would incorporate the two different sets of regulatory capital calculations (one for non-advanced approaches institutions and the other for advanced approaches institutions) in adjacent columns in the affected portion of Schedule RC-R, Part I. An institution would complete only the column for the set of calculations applicable to that institution. For the March 31, 2020, report date, non-advanced approaches institutions that file the FFIEC 031 Call Report and elect to adopt the capital simplifications rule on January 1, 2020, would complete the column for the set of calculations that incorporates the effects of the capital simplifications rule. Non-

advanced approaches institutions that elect to wait to adopt the capital simplifications rule on April 1, 2020, and all advanced approaches institutions would complete the column for the set of calculations that does not reflect the effects of the capital simplifications rule (i.e., that reflects the capital calculation in effect for all institutions before this revision). Beginning with the June 30, 2020, report date, all non-advanced approaches institutions that file the FFIEC 031 Call Report would complete the column for the set of calculations that incorporates the effects of the capital simplifications rule; all advanced approaches institutions that file this Call Report would complete the column that does not reflect the effects of the capital simplifications rule.

The FFIEC 041 and FFIEC 051 Call Reports would include a single column for the capital calculation in Schedule RC-R, Part I, that would be revised effective March 31, 2020, to incorporate the effects of the capital simplifications rule. For the March 31, 2020, report date, non-advanced approaches institutions that file the FFIEC 041 or FFIEC 051 Call Report and elect to adopt the capital simplifications rule on January 1, 2020, would complete the capital calculation column in Schedule RC-R, Part I, as revised for the capital simplifications rule. The agencies would provide instructions for non-advanced approaches institutions that file the FFIEC 041 or FFIEC 051 Call Report that elect to wait to adopt the capital simplifications rule on April 1, 2020, on how to complete Schedule RC-R, including the capital calculation column, for the March 31, 2020, report date in accordance with the capital rule in effect before the capital simplifications rule's revised effective date of January 1, 2020. Such non-advanced approaches institutions would use these instructions on a one-time basis for the March 31, 2020, report date only.

In connection with requiring all advanced approaches institutions to file the FFIEC 031 Call Report, the agencies would remove certain items from the FFIEC 041 Call Report that apply only to advanced approaches institutions. Thus, for Schedule RC-R, Part I, in the FFIEC 041 Call Report, the agencies would remove items 30.b, 32.b, 34.b, 35.b, 40.b, and 41 through 43 (Column B only). The agencies would renumber items 30.a, 32.a, 34.a, 35.a, and 40.a as items 42, 44, 46, 47, and 48, respectively.

In the capital simplifications rule, the agencies increased the thresholds for including in CET1 capital mortgage servicing assets (MSAs), temporary difference deferred tax assets that could not be realized through net operating loss carrybacks (temporary difference DTAs), and investments in the capital of unconsolidated financial institutions for non-advanced approaches institutions. In addition, the agencies revised the capital calculation for minority interests included in the various capital categories for non-advanced approaches institutions and to the calculation of the capital conservation buffer.

The current regulatory capital calculations in Call Report Schedule RC-R, which do not yet reflect the revisions contained in the capital simplifications rule, require that an institution's capital cannot include MSAs, certain temporary difference DTAs, and significant investments in the common stock of unconsolidated financial institutions in an amount greater than 10 percent of CET1 capital, on an individual basis, and those three data items combined cannot comprise more than 15 percent of CET1 capital. When the

reporting of regulatory capital calculations by non-advanced approaches institutions in accordance with the capital simplifications rule takes effect, this calculation would be revised in Schedule RC-R, Part I, to require that only MSAs or temporary difference DTAs in an amount greater than 25 percent of CET1 capital, on an individual basis, could not be included in a non-advanced approaches institution's regulatory capital. The 15 percent aggregate limit would be removed. In addition, the capital simplifications rule combines the current three categories of investments in financial institutions (non-significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are in the form of common stock, and significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock) into a single category, investments in the capital of unconsolidated financial institutions, and applies a limit of 25 percent of CET1 capital on the amount of these investments that can be included in capital. Any investments in excess of the 25 percent limit would be deducted from regulatory capital using the corresponding deduction approach.

Consistent with the capital rule before the effective date of the capital simplifications rule, an institution must risk weight MSAs, temporary difference DTAs, and investments in the capital of unconsolidated financial institutions that are not deducted. The agencies would revise Schedule RC-R, Part II, to allow institutions to enter values into the Column K – 250% risk weight on Part II in the FFIEC 051 Call Report, which is currently shaded out. The agencies also would remove footnote two on the second page of Schedule RC-R, Part II, and the corresponding footnote on subsequent pages of Part II in all three versions of the Call Reports effective as of the March 31, 2020, report date to accommodate the capital simplifications rule revisions to the risk weight for MSAs and temporary difference DTAs. Consistent with the capital simplifications rule, non-advanced approaches institutions will not be required to differentiate among categories of investments in the capital of unconsolidated financial institutions. The risk weight for such equity exposures generally will be 100 percent, provided the exposures qualify for this risk weight. For non-advanced approaches institutions, the capital simplifications rule eliminates the exclusion of significant investments in the capital of unconsolidated financial institutions in the form of common stock from being eligible for a 100 percent risk weight. Equity exposures that do not qualify for a preferential risk weight will generally receive risk weights of either 300 percent or 400 percent, depending on whether the equity exposures are publicly traded.

In order to implement these regulatory capital changes from a regulatory reporting perspective, the agencies would make a number of revisions to Schedule RC-R, Part I, for non-advanced approaches institutions effective March 31, 2020. Specifically, in Schedule RC-R, Part I, in the FFIEC 041 and FFIEC 051 Call Reports, the agencies would remove item 11 and modify item 13 to reflect the consolidation of all investments in unconsolidated financial institutions into a single category and apply a single 25 percent of CET1 capital limit to these investments. The agencies would modify items 14 and 15 to reflect the 25 percent of CET1 capital limit for MSAs and certain temporary difference DTAs, respectively. The agencies also would remove item 16, which applies to the aggregate 15 percent limitation that was removed from the capital rule for non-

advanced approaches institutions. In the FFIEC 031 Call Report, the agencies proposed to create two columns for existing items 11 through 19. Column A would be reported by non-advanced approaches institutions that elect to adopt the capital simplifications rule on January 1, 2020, beginning in the March 2020 Call Report and by all non-advanced approaches institutions beginning in the June 2020 Call Report using the definitions under the capital simplifications rule. Column A would not include items 11 or 16, and items 13 through 15 would be designated as items 13.a through 15.a to reflect the new calculation methodology. Column B would be reported by advanced approaches institutions and by non-advanced approaches institutions that elect to wait to adopt the capital simplifications rule on April 1, 2020, in the March 2020 Call Report and only by advanced approaches institutions beginning in the June 2020 Call Report using the existing definitions. Existing items 13 through 15 would be designated as items 13.b through 15.b to reflect continued use of the existing calculation methodology.

The agencies would not make any changes to the Call Report form to incorporate the minority interest revisions. However, the agencies would modify the instructions for the existing minority interest items in all versions of the Call Report to reflect the ability of non-advanced approaches institutions to use the revised method under the capital simplifications rule to calculate minority interest in existing items 4, 22, and 29 (CET1, additional tier 1, and tier 2 minority interest, respectively).

In addition, as a consequence of the technical amendments that the capital simplifications rule made to the agencies' capital rule effective October 1, 2019, the agencies are clarifying when an institution must report the amount of distributions and discretionary bonus payments in Schedule RC-R, Part I, item 48 (which would be renumbered as item 54). The agencies are clarifying the instructions for renumbered item 54 to explain that an institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending on the report date if the amount of its capital conservation buffer that it reported for the previous calendar quarter-end report date was less than its applicable required buffer percentage on that previous calendar quarter-end report date. This change will enhance the agencies' ability to monitor compliance with the limitations on distributions and discretionary bonus payments. Institutions must comply with this instructional clarification beginning with the March 31, 2020, report date.

Changes to Implement the Community Bank Leverage Ratio Rule

The community bank leverage ratio (CBLR) provides a simplified alternative measure of capital adequacy for qualifying community banking organizations with less than \$10 billion in total consolidated assets. Under the CBLR final rule, which takes effect January 1, 2020, 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. 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 and, in the case of an insured depository

institution (IDI), is considered to have met the well capitalized capital ratio requirements for purposes of the agencies' prompt corrective action framework.

As provided in the CBLR final rule, the numerator of the CBLR is tier 1 capital, which is currently reported in Schedule RC-R, Part I, item 26. Also as provided in the CBLR final rule, the denominator of the CBLR is average total consolidated assets, which would be calculated in accordance with the existing reporting instructions for Schedule RC-R, Part I, items 36 through 39. Therefore, the agencies are not making any substantive changes related to the numerator or the denominator of the CBLR. However, the agencies would move existing items 36 through 39 of Schedule RC-R, Part I, and renumbering them as items 27 through 30 of Schedule RC-R, Part I, to consolidate all of the community-bank-leverage-ratio-related capital items earlier in Schedule RC-R, Part I. In addition, the agencies would move the tier 1 leverage ratio from item 44 of Part I, renumber it as item 31, and rename the item the "Leverage ratio," as this ratio applies to all institutions (as the community bank leverage ratio for qualifying institutions or the tier 1 leverage ratio for all other institutions).

As provided in the CBLR final rule, a CBLR bank will need to satisfy certain qualifying criteria in order to be eligible to opt into the CBLR framework. Specifically, a CBLR bank is an institution that is not an advanced approaches institution and meets the following qualifying criteria:

- A leverage ratio of greater than 9 percent;
- Total consolidated assets of less than \$10 billion;
- Total trading assets and trading liabilities of 5 percent or less of total consolidated assets; and
- Total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancelable commitments) of 25 percent or less of total consolidated assets.

However, an institution that is not an advanced approaches institution and meets the qualifying criteria listed above may or may not opt into the CBLR framework as of a particular quarter-end report date. Therefore, the agencies would add a "yes/no" item 31.a to Schedule RC-R, Part I, after item 31, "Leverage ratio," in which each institution would report whether it has a CBLR framework election in effect as of the quarter-end report date. An institution would answer "yes" if it qualifies for the CBLR framework (even if it is within the grace period) and has elected to adopt the framework as of that report date. Otherwise, the institution would answer "no." Captioning after the "yes/no" response to item 31.a would indicate which of the subsequent data items in Schedule RC-R should be completed based on the response to item 31.a. This "yes/no" response should assist an institution in understanding which specific data items it should complete in the rest of Schedule RC-R. The response also should assist users of Schedule RC-R in understanding the regulatory capital regime an institution is following as of the report date.

The agencies would collect the following proposed data items in Schedule RC-R, Part I, only from institutions that have adopted the CBLR framework as of the quarter-end report date to obtain the information necessary to ensure the institutions continuously meets the qualifying criteria for using the CBLR framework.

- Item 32, total assets as reported in Call Report Schedule RC, item 12.
- Item 33, the sum of trading assets from Schedule RC, item 5, and trading liabilities from Schedule RC, item 15, in column A, and this sum as a percentage of total assets in column B.
- Item 34.a, the unused portion of conditionally cancelable commitments, which would be calculated consistent with manner in which such commitments are reported in Schedule RC-R, Part II, items 18.a and 18.b, column A.
- Item 34.b, total securities lent and borrowed, which would be the sum of Schedule RC-L, items 6.a and 6.b.
- Item 34.c, the sum of certain other off-balance sheet exposures and sold credit derivatives, including self-liquidating, trade-related contingent items that arise from the movement of goods; transaction-related contingent items (performance bonds, bid bonds, warranties, and performance standby letters of credit); sold credit protection in the form of guarantees and credit derivatives; credit-enhancing representations and warranties; financial standby letters of credit; forward agreements that are not derivative contracts; and off-balance sheet securitizations.
- Item 34.d, the sum of items 34.a through 34.c in column A, and this sum as a percentage of total assets in column B.
- Item 35, the total of unconditionally cancellable commitments, which would be calculated consistent with manner in which such commitments are reported in Schedule RC-R, Part II, item 19. This information would enable the agencies to identify any institution using the CBLR framework that may have significant or excessive concentrations in unconditionally cancellable commitments that would warrant the agencies' use of the reservation of authority in their capital rule to direct an otherwise-eligible CBLR bank to report its regulatory capital using the generally applicable capital requirements.
- Item 36, the amount of investments in the capital instruments of an unconsolidated financial institution that would qualify as tier 2 capital. Since the CBLR framework does not have a total capital requirement, a CBLR bank is neither required to calculate tier 2 capital nor make any deductions that would be taken from tier 2 capital. This information would enable the agencies to identify any institution using the CBLR framework that may have excessive investments in tier 2 qualifying instruments, which could warrant the agencies' use of their reservation of authority.
- Item 37, the amount of any allocated transfer risk reserve (ATRR), as currently calculated and reported in Schedule RC-R, Part II, item 30.
- Items 38.a through 38.c, for a CBLR bank that has adopted Accounting Standards Update (ASU) No. 2016-13 on credit losses only, the amount of any allowances for credit losses on purchased credit-deteriorated (PCD) loans and leases held for investment, held-to-maturity debt securities, and other financial assets measured at amortized cost, as currently calculated and reported in Schedule RC-R, Part II, Memorandum items 4.a through 4.c. The amount of the ATRR, if any, is

necessary to calculate capital and surplus and corresponding limits in a number of the OCC's regulations, including investment securities limits (12 CFR part 1) and lending limits (12 CFR part 32). After an institution adopts ASU 2016-13, allowances for credit losses on PCD assets similarly would affect the calculation of these limits. While these limits apply directly to institutions supervised by the OCC, a number of federal or state laws may apply the OCC's calculation of certain limits to state-chartered institutions supervised by the FDIC or the Board. Because CBLR banks would not complete Schedule RC-R, Part II, ATRR and PCD allowance information would otherwise not be readily available for the agencies to calculate the relevant regulatory limits for these institutions.

To distinguish which data items in Schedule RC-R, Part I, should be completed only by CBLR banks and those that should be completed only by those institutions applying the generally applicable capital requirements, the agencies would provide captioning before Schedule RC-R, Part I, item 32, which is the first data item to be completed only by CBLR banks, and between items 38.c, which is the final data item only for CBLR banks, and item 39, which is the first data item applicable only to other institutions subject to the generally applicable capital requirements. A CBLR bank would not need to complete any of the items in Schedule RC-R, Part I, after proposed item 38, nor would the bank need to complete Schedule RC-R, Part II, Risk-Weighted Assets. The portion of Schedule RC-R, Part I, applicable only to CBLR banks also will be marked by bordering.

In connection with moving the leverage ratio calculations and inserting items for the CBLR qualifying criteria in Schedule RC-R, Part I, existing items 27 through 35 of Schedule RC-R, Part I, would be renumbered as items 39 through 47. Existing items 40 through 43 will be renumbered as items 48 through 51, while existing items 46 through 48 will be renumbered as items 52 through 54. For advanced approaches institutions and institutions subject to Category III capital standards that would file the FFIEC 031 or the FFIEC 041 Call Report, as appropriate, existing items 45.a and 45.b for total leverage exposure and the supplementary leverage ratio, respectively, will be renumbered as items 55.a and 55.b.

Changes to Implement the Tailoring Final Rule

The tailoring final rule revises 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. Under the tailoring final rule, which is effective for the first quarter of 2020, 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. The third set of standards (Category III) applies to banking organizations with \$250 billion or more in total 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. Under the tailoring final rule, depository institution subsidiaries generally are subject to the same category of standards that apply at the holding company level.

The tailoring rules would narrow the scope of institutions calculating risk-weighted assets under the advanced approaches to Category I and II institutions. As discussed above under the capital simplifications rule, the agencies would require all advanced approaches institutions to file the FFIEC 031 Call Report. This change in scope for the FFIEC 031 would mean that depository institutions considered Category I or II institutions, but not currently required to file the FFIEC 031 Call Report, would now be required to begin filing the FFIEC 031. Modifying the scope of the Call Report in this manner would enable the agencies to streamline Schedule RC-R, Part I, of the FFIEC 041 report by removing data items that apply only to the limited number of institutions considered advanced approaches institutions that currently are eligible to file the FFIEC 041 report and to any future institutions that would, absent this change in scope, be eligible to file the FFIEC 041 report.

At present, institutions that are advanced approaches institutions are not eligible to file the FFIEC 051 Call Report. With the Call Report changes for the implementation of the tailoring final rule, Category III institutions also would not be eligible to file the FFIEC 051 Call Report, but such institutions would file the FFIEC 031 or the FFIEC 041 Call Report, as applicable. Category III institutions are not required to calculate risk-weighted assets according to the advanced approaches rule, but are subject to the supplementary leverage ratio and countercyclical capital buffer. Thus, the agencies would retain existing supplementary leverage ratio information items 45.a and 45.b (proposed to be renumbered as items 55.a and 55.b), as well as existing item 46.b for the countercyclical capital buffer (proposed to be renumbered as item 52.b), in Schedule RC-R, Part I, in the FFIEC 041 Call Report.

Changes to Implement the Custodial Bank Supplementary Leverage Ratio Final Rule

The agencies have revised the regulatory capital rule, effective April 1, 2020, to allow banking organizations predominantly engaged in custodial activities to exclude deposits held at certain central banks from their total leverage exposure when calculating the supplementary leverage ratio. To implement this change in the Call Report, the agencies would modify the instructions for the calculation of the total leverage exposure to enable an institution that qualifies as a “custodial banking organization” to exclude deposits placed at a “qualifying central bank” from the total leverage exposure reported in Schedule RC-R, Part I, item 45.a (which would be renumbered as item 54.a of Part I, as discussed above). The excluded deposits would be limited to the amount of deposit liabilities on the consolidated balance sheet of the custodial banking organization that are linked to fiduciary or custody and safekeeping accounts.

Changes to Implement the Standardized Approach for Counterparty Credit Risk on Derivative Contracts

The agencies' final rule for the standardized approach for counterparty credit risk (SA-CCR) implements a new approach for calculating the exposure amount of derivative contracts under the regulatory capital rule. This final rule takes effect April 1, 2020, with a mandatory compliance date of January 1, 2022.

The final rule replaces the current exposure methodology (CEM) with SA-CCR in the capital rule for advanced approaches institutions (i.e., Category I and II banking organizations). It will require such institutions 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. Advanced approaches institutions would have to choose either SA-CCR or the internal models methodology (IMM) to calculate the exposure amount of their noncleared and cleared derivative contracts when calculating their risk-based capital under the advanced approaches. The final rule provides for the eventual elimination of the current methods under CEM for advanced approaches institutions to determine the risk-weighted asset amount for their default fund contributions to a central counterparty (CCP) or a qualifying central counterparty (QCCP) and implements a new and simpler method that would be based on the banking organization's pro-rata share of the CCP's and QCCP's default fund.

The final rule also requires advanced approaches institutions to use SA-CCR to determine the exposure amount of derivative contracts for purposes of calculating total leverage exposure for the supplementary leverage ratio. If an institution subject to Category III capital standards chooses to use SA-CCR to calculate its total risk-weighted assets, it must use SA-CCR to determine the exposure amount of derivative contracts for its total leverage exposure. The final rule also allows a clearing member banking organization to recognize the counterparty credit risk-reducing effect of client collateral in replacement cost and potential future exposure for purposes of calculating total leverage exposure under certain circumstances.

With the implementation of SA-CCR, the agencies are not revising the reporting form for Schedule RC-R, Part II, but they will revise the instructions for Schedule RC-R, Part II, to be consistent with SA-CCR. These instructional revisions would include clarifying how to report the remaining maturity of settled-to-market centrally cleared derivative contracts in Memorandum item 3 of Part II, how to report the notional amount of derivative contracts in Memorandum items 2 and 3 of Part II (and in Schedule RC-L, Derivatives and Off-Balance Sheet Items) depending on whether an institution uses SA-CCR or CEM to calculate exposure amounts when determining standardized total risk-weighted assets, and whether the notional amounts of derivatives that have matured, but have associated unsettled receivables or payables that are reported on the balance sheet should be reported in Schedule RC-L and Schedule RC-R, Part II.

Additionally, certain clarifications would be made to the instructions for reporting counterparty exposures in Memorandum items 14 and 15 of Schedule RC-O, Other Data for Deposit Insurance Assessments, on the FFIEC 031 and the FFIEC 041 Call Reports.

These clarifications would require highly complex institutions to continue to calculate derivative exposures using CEM, but without any reduction for collateral other than cash collateral that is all or part of variation margin and that satisfies certain requirements. Clarifications also would be made to the instructions for these two memorandum items to require highly complex institutions to continue to report the exposure amount associated with securities financing transactions, including cleared transactions that are securities financing transactions, using the standardized approach.

Changes to Implement the Definitional Change for High Volatility Commercial Real Estate (HVCRE) Exposures

The agencies have adopted a final rule that conforms the HVCRE exposure definition in the regulatory capital rule to the statutory definition enacted in 2018 and clarifies the capital treatment for loans that finance the development of land under the revised HVCRE exposure definition. This final rule takes effect April 1, 2020. The agencies would make conforming revisions to the instructions for Schedule RC-R, Part II, items 4.b and 5.b, in all three versions of the Call Report. No revisions to the Call Report forms are necessary.

Operating Lease Liabilities

Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 842, Leases, took effect for certain institutions in 2019 and will take effect for all other institutions beginning in 2021. This new ASC topic requires lessees to record a right-of-use (ROU) asset and a lease liability on the balance sheet for operating leases. Following the agencies' issuance of instructional guidance in March 2019 indicating that lease liabilities for operating leases should be reported in Schedule RC-M, items 5.b, "Other borrowings," and 10.b, "Amount of 'Other borrowings' that are secured," the agencies received questions from institutions concerning this reporting treatment. These institutions indicated that reporting operating lease liabilities as other liabilities instead of other borrowings would better align the reporting of the single noninterest expense item for operating leases in the income statement with their balance sheet classification and would be consistent with how these institutions report operating lease liabilities internally.

Accordingly, the agencies plan to instruct institutions to report operating lease liabilities on the Call Report balance sheet in Schedule RC, item 20, "Other liabilities," and in Schedule RC-G, Other Liabilities, item 4, "All other liabilities." In subitems of Schedule RC-G, item 4, institutions must itemize and describe any components of this item in amounts greater than \$100,000 that exceed 25 percent of the amount reported in item 4. Because of the expected prevalence of operating lease liabilities, the agencies would add a new subitem with the preprinted caption "Operating lease liabilities" to item 4 to facilitate the reporting of these liabilities when their amount exceeds the reporting threshold for itemizing and describing components of "All other liabilities." These changes would take effect as of the March 31, 2020, report date.

Home Equity Lines of Credit That Convert From Revolving to Non-Revolving Status

Institutions report the amount outstanding under revolving, open-end lines of credit secured by 1-4 family residential properties (commonly known as home equity lines of credit or HELOCs) in item 1.c.(1) of Schedule RC-C, Part I, Loans and Leases. The amounts of closed-end loans secured by 1-4 family residential properties are reported in Schedule RC-C, Part I, item 1.c.(2)(a) or (b), depending on whether the loan is a first or a junior lien.

A HELOC 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 Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and in other Call Report items that use the definitions of these three loan categories.

To achieve consistency in the reporting treatment for HELOCs, the agencies plan to instruct institutions to continue to report HELOCs that convert to non-revolving status in the 1-4 family residential real estate loan category for revolving, open-end lines of credit consistent with the reporting treatment for these credits when they are no longer revolving in the FR Y14-M.⁷ However, recognizing the existing diversity in practice in which some institutions report HELOCs that have converted from revolving to non-revolving status as closed-end loans in the Call Report while other institutions continue to report such HELOCs as open-end loans, the agencies would provide transition guidance to assist institutions that would need to modify their current reporting practice. Institutions would be required to report all HELOCs that convert to closed-end status on or after January 1, 2021, as open-end loans in Schedule RC-C, Part I, item 1.c.(1). An institution that currently reports HELOCs that have converted to non-revolving closed-end status as open-end loans in Schedule RC-C, Part I, item 1.c.(1), should not change its reporting practice for these loans and should continue to report these loans in item 1.c.(1) regardless of their conversion date. An institution that currently reports HELOCs that convert to non-revolving closed-end status as closed-end loans in Schedule RC-C, Part I, item 1.c.(2)(a) or 1.c.(2)(b), as appropriate, may continue to report HELOCs that convert on or before December 31, 2020, as closed-end loans in Call Reports for report dates after that date. Alternatively, such an institution may choose to begin reporting some or all of these closed-end HELOCs as open-end loans in item 1.c.(1) as of the March 31, 2020, or any subsequent report date, provided this reporting treatment is consistently applied.

The agencies also would create a new Memorandum item 16 in Schedule RC-C, Part I, in which institutions would report the amount of HELOCs that have converted to

⁷ Capital Assessments and Stress Testing Report (FR Y-14M), Board OMB No. 7100-0341.

non-revolving closed-end status that are included in item 1.c.(1), “Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.” This new Memorandum item would enable the agencies to monitor the proportion of an institution’s home equity credits in revolving and non-revolving status and changes therein and assess whether changes in this proportion in relation to changes in past due and nonaccrual home equity credits and charge-offs and recoveries of such credits warrant supervisory follow-up. Memorandum item 16 would be collected quarterly in the FFIEC 031 and the FFIEC 041 Call Reports and semiannually as of June 30 and December 31 in the FFIEC 051 Call Report. To provide time needed for any systems changes, the agencies would implement this new Memorandum item as of the March 31, 2021, report date in the FFIEC 031 and the FFIEC 041 Call Reports and as of the June 30, 2021, report date in the FFIEC 051 Call Report.

2. Use of Information Collected

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 at individual insured depository institutions. 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 EWS 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 examination planning activities. Through examination planning, examiners can determine the areas of an institution's operations and activities on which to focus heightened attention or place reduced emphasis during their time on-site at the institution. Moreover, effective 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 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, with separate reports also prepared for community institutions, 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.

3. Use of Technology to Reduce Burden

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 are 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 3,386 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 the small number of 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. Minimizing the Burden on Small Institutions

Pursuant to regulations issued by the Small Business Administration (13 CFR 121.201), a “small entity” includes depository institutions with total assets of \$600 million or less. As of September 30, 2019, the FDIC was the primary federal supervisor of 3,386 insured state nonmember banks and state savings associations. Of this number, around 2,700 have total assets of \$600 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 \$5 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 or more in total 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, on average, 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, \$1 billion, and \$10 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, for small institutions with domestic offices only and less than \$5 billion in total assets that file the FFIEC 051, a significant number of data items in the FFIEC 051 report are collected semiannually or annually rather than quarterly as they had been when these institutions filed the FFIEC 041 report. Furthermore, as discussed in Item 1 above, the proposed

revisions that are the subject of this submission include the implementation of the capital simplifications rule and the community bank leverage ratio (CLBR) framework rule, the combined effect of which is to simplify the calculation and related reporting of regulatory capital data for non-advanced approaches institutions that have less than \$10 billion in total assets, meet certain other qualifying criteria, and elect to apply the CBLR framework. These proposed revisions will reduce reporting burden for non-advanced approaches institutions that are “small entities” under the Small Business Administration’s regulations and also for those larger non-advanced approaches institutions that elect to adopt the CBLR framework.

6. Consequences of Less Frequent Collection

Collecting Call Report data less frequently than quarterly 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). Submission of Call Reports less frequently than 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 examinations, 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, certain Call Report data items are collected less frequently than quarterly from 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, for institutions that do not have a community bank leverage ratio framework election in effect as of a quarter-end report date, 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

There are no special circumstances.

8. Consultation with Persons Outside the FDIC

On October 4, 2019, the FDIC, the 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 one other interagency report⁸ (84 FR 53227). The comment period ended on December 3, 2019. The agencies received comments on the proposed reporting changes covered in the notice from four entities: three bankers' associations and one savings association. After carefully considering the comments received on the October 2019 notice, the agencies are adopting the reporting changes proposed in that notice (except for those for one regulatory capital rulemaking that has not yet been finalized) with certain modifications. In general, the modifications relate to the disclosure of an institution's election of the community bank leverage ratio framework, a change in the scope of the FFIEC 031 Call Report, and the reporting of home equity lines of credit that convert from revolving to non-revolving status. The comments received that addressed the proposed revisions to the Call Report and the agencies' responses are discussed in the following sections.

Capital Simplifications Rule Reporting Revisions – Two commenters opposed the agencies' proposal to require all advanced approaches institutions and institutions subject to Category III capital standards to file the FFIEC 031 Call Report because this requirement could impact the reporting burden of numerous small depository institution subsidiaries of holding companies that are advanced approaches and Category III institutions. The agencies agreed with the commenters with respect to Category III institutions, and therefore, instead of requiring all Category III institutions to file the FFIEC 031 Call Report, the agencies would allow such institutions that are not otherwise required to file the FFIEC 031 Call Report to file the FFIEC 041 Call Report. To do so, the agencies will retain three existing data items for reporting supplementary leverage ratio information and countercyclical capital buffer information in the FFIEC 041 Call Report for use by Category III institutions. Specifically, the agencies will retain rather than remove items 45.a and 45.b (renumbered as items 55.a and 55.b) in Schedule RC-R, Part I, of the FFIEC 041 to collect supplementary leverage ratio information from institutions with domestic offices only and total assets less than \$100 billion that are subsidiaries of banking organizations subject to Category III capital standards. Additionally, the agencies will retain, rather than remove, item 46.b (renumbered as

⁸ FFIEC 101, Risk-Based Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework, FDIC OMB No. 3064-0159.

item 52.b) in Schedule RC-R, Part I, of the FFIEC 041 to collect countercyclical capital buffer information from Category III institutions.

In proposing to require all advanced approaches institutions to file the FFIEC 031 Call Report (including those advanced approaches institutions that currently file the FFIEC 041 Call Report) in conjunction with the implementation of the capital simplifications rule, the agencies sought to retain a streamlined and straightforward Part I of Schedule RC-R for the more than 1,400 non-advanced approaches institutions that filed the FFIEC 041 Call Report (based on data as of September 30, 2019). When the capital simplifications rule takes effect in the first quarter of 2020, allowing advanced approaches institutions currently filing the FFIEC 041 Call Report to continue to do so, rather than requiring them to begin filing the FFIEC 031 Call Report as had been proposed, would subject all institutions filing the FFIEC 041 to the complexity of the same dual column structure for items 11 through 19 of Schedule RC-R, Part I, that is discussed in Item 1 above in relation to the FFIEC 031 reporting form. The benefit of a simple, straightforward Part I of Schedule RC-R in the FFIEC 041 Call Report that would be applicable only to the more than 1,400 non-advanced approaches institutions currently filing the FFIEC 041 Call Report is expected to offset the impact on the small group of less than 20 advanced approaches institutions that currently file the FFIEC 041 Call Report of having to migrate to the FFIEC 031 Call Report when the capital simplifications rule takes effect. Thus, the agencies did not adopt the two commenters' recommendation to permit advanced approaches institutions currently eligible to file the FFIEC 041 to continue to file this version of the Call Report.

In addition, as a consequence of the technical amendments that the capital simplifications rule made to the agencies' capital rule effective October 1, 2019, the agencies are clarifying when an institution must report the amount of distributions and discretionary bonus payments in Schedule RC-R, Part I, item 48 (which would be renumbered as item 54). The agencies are clarifying the instructions for renumbered item 54 to explain that an institution must report the amount of distributions and discretionary bonus payments made during the calendar quarter ending on the report date if the amount of its capital conservation buffer that it reported for the previous calendar quarter-end report date was less than its applicable required buffer percentage on that previous calendar quarter-end report date. This change will enhance the agencies' ability to monitor compliance with the limitations on distributions and discretionary bonus payments. Institutions must comply with this instructional clarification beginning with the March 31, 2020, report date.

Community Bank Leverage Ratio Rule Reporting Revisions – Two commenters addressed certain aspects of the proposed CBLR reporting revisions. Aspects of the proposed CBLR reporting revisions on which no comments were received, including the proposed change in the reporting threshold for Schedule RC-C, Part I, Memorandum item 13, would be implemented as proposed.

One commenter supported “the proposed line item additions to RC-R, Part I reporting to support changes to the leverage ratio,” but the other commenter recommended removing

proposed items 35 through 38.c of Part I because the data to be reported in these items are not qualifying criteria under the CBLR framework. Both commenters did not favor the proposal to move existing items 36 through 39 of Schedule RC-R, Part I, which are used to measure total assets for the leverage ratio, and existing item 44, “Tier 1 leverage ratio,” from their present locations in Part I of the schedule to an earlier position in Part I where all of the CBLR-related items would be reported and these five items would be renumbered as items 27 through 31. One of the commenters stated that, although this proposed change in the presentation of Part I of Schedule RC-R would not affect the results of individual items in Part I, the proposed new presentation could be confusing to end users of the schedule. The second commenter expressed concern about inserting the data items for the CBLR framework within existing Schedule RC-R, Part I, rather than in a separate version of the schedule as the agencies had originally proposed in April 2019,⁹ because the insertion of these data items was confusing and could lead to reporting errors. Thus, this commenter suggested that the agencies break the proposed revised structure of Part I of Schedule RC-R into three separate parts with existing Part II of Schedule RC-R becoming the fourth part of the schedule. In addition, this commenter noted that an institution that is eligible to opt into the CBLR framework may opt into and out of the framework at any time, and that there is a grace period for an institution that no longer meets the qualifying criteria for the CBLR framework. During the grace period, the institution continues to be treated as a CBLR bank. Because an institution’s status, i.e., as a CBLR bank or as subject to the generally applicable capital requirements, can change from quarter to quarter, the commenter recommended the addition of data items to Schedule RC-R for reporting the institution’s status with respect to the CBLR framework.

The agencies have considered these comments and will retain proposed items 35 through 38.c for reporting by CBLR banks in Schedule RC-R, Part I. When unconditionally cancellable commitments or investments in the tier 2 capital instruments of unconsolidated financial institutions, as reported in proposed items 35 and 36, reach excessive levels, this may warrant the agencies’ use of the reservation of authority in their capital rule to direct an otherwise-eligible CBLR bank to report its regulatory capital using the generally applicable capital requirements. The allocated transfer risk reserve and allowances for credit losses on purchased credit-deteriorated assets, which would be reported in proposed items 37 and 38.a through 38.c, currently exist in Part II of Schedule RC-R, which a CBLR bank would no longer complete. The agencies use the information reported in these data items in the calculation of regulatory limits on investment securities and lending where relevant.

The agencies also will retain the proposed movement of the data items related to the leverage ratio to a position immediately after the calculation of tier 1 capital (designated items 27 through 31 of Schedule RC-R, Part I, as it would be revised) as well as the placement of the proposed data items to be completed only by CBLR banks, including those within the grace period (designated items 32 through 38.c of Schedule RC-R, Part I, as it would be revised). Because all institutions are subject to a leverage ratio requirement, all institutions must calculate and report the ratio’s numerator, which is

⁹ See 84 FR 16560 (April 19, 2019).

tier 1 capital, and its denominator, which is based on average total assets. As a consequence, items 1 through 31 of Part I would be applicable to and completed by all institutions. Moving the leverage ratio data items as proposed would allow CBLR banks to avoid completing the remainder of Schedule RC-R after item 38.c of Part I, which the agencies believe will be less confusing for CBLR banks than having to complete the leverage ratio items in their current location in Part I of the schedule, which is after numerous items that will not be applicable to CBLR banks.

Furthermore, the agencies will modify the formatting of Schedule RC-R, Part I, to better distinguish the data items that should be completed only by CBLR banks and those that should be completed only by those institutions applying the generally applicable capital requirements. This will be accomplished by improving the captioning before Schedule RC-R, Part I, item 32, which is the first data item to be completed only by CBLR banks, and between items 38.c, which is the final data item only for CBLR banks, and item 39, which is the first data item applicable only to other institutions subject to the generally applicable capital requirements. The portion of Schedule RC-R, Part I, applicable only to CBLR banks also will be marked by bordering. These modifications to the formatting of Part I should functionally achieve an outcome similar to the comment suggesting that Part I be split into Parts 1, 2, and 3 with existing Part II then renumbered as Part 4.

In addition, the agencies acknowledge that, under the CBLR final rule, an institution that is eligible to opt into the CBLR framework may choose to opt into or out of this framework at any time and for any reason. Accordingly, the agencies see merit in a commenter's recommendation that an institution should report its status as of the report date regarding the use of the CBLR framework. Therefore, the agencies propose to add a "yes/no" item 31.a to Schedule RC-R, Part I, after item 31, "Leverage ratio," in which each institution would report whether it has a CBLR framework election in effect as of the quarter-end report date. An institution would answer "yes" if it qualifies for the CBLR framework (even if it is within the grace period) and has elected to adopt the framework as of that report date. Otherwise, the institution would answer "no." Captioning after the "yes/no" response to item 31.a would indicate which of the subsequent data items in Schedule RC-R should be completed based on the response to item 31.a. Thus, this "yes/no" response should assist an institution in understanding which specific data items it should complete in the rest of Schedule RC-R. The response also should assist users of Schedule RC-R in understanding the regulatory capital regime an institution is following as of the report date. The agencies are not adopting a commenter's recommendation to add additional data items relating to use of the CBLR, for example by differentiating between banks that currently meet the CBLR qualifying criteria and those that are within the grace period, as the agencies do not need this additional level of detail in the Call Report.

The agencies believe these modifications to the format and structure of Part I of Schedule RC-R will limit the burden on reporting institutions and lessen possible confusion, including for users of Schedule RC-R and for those qualifying community institutions that elect to adopt the CBLR framework.

Tailoring Final Rule Reporting Revisions – Two commenters addressed the agencies’ proposal to require all institutions subject to Category I, II, or III capital standards under the tailoring rule to file the FFIEC 031 Call Report. One commenter observed that institutions that are subsidiaries of Category I, II, and III institutions, and therefore also considered Category I, II, and III institutions, will experience increases in overall reporting burden if they currently file the FFIEC 041 Call Report, but now must file the FFIEC 031 Call Report. The other commenter explicitly stated that the agencies should not expand the scope of the FFIEC 031 to require subsidiaries of Category I, II, and III institutions that previously were eligible to file the FFIEC 041 Call Report to file the FFIEC 031 Call Report. This commenter recommended that the agencies confirm that subsidiary depository institutions that currently file the FFIEC 041 or FFIEC 051 Call Report should continue to do so rather than “filing the more burdensome FFIEC 031.”

As discussed under the “Capital Simplifications Rule Reporting Revisions” above in this Item 8, the agencies have reviewed these comments and are modifying the proposed change in scope as it applies to Category III institutions not currently required to file the FFIEC 031 Call Report. Accordingly, Category III institutions that have less than \$100 billion in total assets and have no foreign offices (as defined in the Call Report instructions) would be eligible to file the FFIEC 041 Call Report and would not be required to file the FFIEC 031. Such institutions also would not be eligible to file the FFIEC 051 Call Report. As mentioned above in the capital simplifications discussion, to accommodate this modification to the originally proposed change in scope for Category III institutions, the agencies will retain existing SLR information items 45.a and 45.b (proposed to be renumbered as items 55.a and 55.b), as well as existing item 46.b for the countercyclical capital buffer (proposed to be renumbered as item 56.b), in Schedule RC-R, Part I, in the FFIEC 041 Call Report rather than removing these three items from this report as had been proposed. However, the agencies would require all Category I and II institutions, including depository institution subsidiaries of Category I and II institutions, to file the FFIEC 031 Call Report as proposed. As advanced approaches institutions, depository institutions that are Category I and II institutions are not eligible to file the FFIEC 051 Call Report

Revisions to the Supplementary Leverage Ratio for Certain Central Bank Deposits of Custodial Banks – The agencies received no comments on the proposed changes to Call Report Schedule RC-R, Part I, for the SLR for custodial banks and will implement the changes as proposed.

Standardized Approach for Counterparty Credit Risk on Derivative Contracts – The agencies did not receive comments specifically addressing their proposal to revise the instructions for Schedule RC-R, Part II, consistent with the SA-CCR final rule. However, two commenters submitted similar questions and requests for clarifications related to certain derivatives reporting issues. In Schedule RC-R, Part II, Memorandum item 3, institutions report the notional principal amounts of centrally cleared derivative contracts by remaining maturity. Commenters sought clarification as to whether, for

purposes of reporting derivatives referred to as settled-to-market contracts in Memorandum item 3, the remaining maturity of such derivatives should be the remaining maturity used to determine the conversion factor for the calculation of the PFE of these contracts or the contractual remaining maturity of these contracts. The derivatives information reported in Memorandum items 1 through 3 of Schedule RC-R, Part II, is collected to assist the agencies in understanding, and assessing the reasonableness of, the credit equivalent amounts of the over-the-counter derivatives and the centrally cleared derivatives reported in Schedule RC-R, Part II, items 20 and 21, column B. Accordingly, when reporting settled-to-market centrally cleared derivative contracts in Memorandum item 3, the remaining maturity used to determine the applicable conversion factor should be the basis for reporting. The agencies will clarify the instructions for Memorandum item 3 to address the reporting of settled-to-market contracts.

Both commenters stated that the Call Report instructions do not explain whether institutions should report notional amounts in Schedule RC-L, Derivatives and Off-Balance Sheet Items, and Schedule RC-R, Part II, Risk-Weighted Assets, for derivatives that have matured, but have associated unsettled receivables or payables that are reported as assets or liabilities, respectively, on the balance sheet as of the quarter-end report date. In seeking clarification of the reporting requirements for such situations, the commenters recommended that notional amounts not be reported for derivatives that have matured. The agencies agree and will clarify the Call Report instructions to so indicate.

For purposes of reporting notional amounts in the Call Report, one commenter recommended that the agencies clarify whether the notional amount as defined in U.S. generally accepted accounting principles (GAAP) or under the SA-CCR final rule should be used when an institution must report the notional amount of derivative contracts in Schedule RC-R, Regulatory Capital, and elsewhere in the Call Report, such as Schedule RC-L. The agencies believe that the SA-CCR (adjusted) notional amount should be reported in Schedule RC-R only when an institution uses SA-CCR to calculate its exposure amounts when the institution determines its standardized total risk-weighted assets. When an institution uses the current exposure methodology (CEM) to calculate exposure amounts for its derivative contracts, the notional amounts to be reported in Schedule RC-R should be based on the definition in U.S. GAAP. All notional amounts reported in Schedule RC-L should be based on the U.S. GAAP notional amount. The agencies will revise the instructions for Schedules RC-L and RC-R in this manner.

Both commenters addressed the reporting of the 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, and questioned whether this information is meaningful. One commenter requested clarification of the purpose for collecting this information while the other recommended that the agencies no longer collect this information. The data items for reporting the fair value of collateral are applicable to institutions with total assets of \$10 billion or more. In general, 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. As a result of the agencies' review of Schedule RC-L in 2016 during their most recent statutorily mandated review of existing Call Report data items,¹⁰ the agencies reduced the level of detail required to be reported on the fair value of collateral posted for OTC derivative exposures in item 16.b effective June 30, 2018. The agencies' use of the information reported in Schedule RC-L, item 16.b, will be reviewed again before the end of 2022 as part of their next statutorily mandated review.

High Volatility Commercial Real Estate (HVCRE) Exposures – The agencies received no comments on their proposal to revise the instructions for Schedule RC-R, Part II, items 4.b and 5.b, so that they are consistent with the agencies' final rule that conforms the HVCRE exposure definition in section 2 of the capital rule¹¹ to the statutory definition of an HVCRE ADC loan¹² and clarifies the capital treatment for loans that finance the development of land under the revised HVCRE exposure definition.

Operating Lease Liabilities – The agencies received no comments on their proposal to require that operating lease liabilities be reported in item 4 of Call Report Schedule RC-G, Other Liabilities, and on the Call Report balance sheet in Schedule RC, item 20, "Other liabilities."

Home Equity Lines of Credit That Convert From Revolving to Non-Revolving Status – Three commenters opposed the agencies' proposal to require that HELOCs that have converted to non-revolving closed-end status should be reported as closed-end loans. Commenters cited the numerous data items in multiple Call Report schedules that would be affected by this proposed instructional clarification and the reconfiguration of systems that would need to be undertaken. Commenters also cited a definitional conflict between the Call Report instructions as the agencies proposed to clarify them and the instructions for the Board's FR Y-14M report filed by holding companies with total consolidated assets of \$100 billion or more. In addition, one commenter stated that the proposed Call Report instructional clarification may lead to inconsistencies between the reporting of HELOCs in open-end and closed-end status in the Call Report and disclosures of HELOCs made in filings with the Securities and Exchange Commission under the federal securities laws. Another commenter cited differences in the risk profiles of loans underwritten as HELOCs and those underwritten as closed-end loans at origination and indicated that the proposed instructional clarification could distort performance trends for loans secured by 1-4 family residential properties as HELOCs migrate between the open-end and closed-end loan categories in the Call Report. Two of the commenters opposing the proposed instructional clarification instead recommended the creation of a memorandum item in the Call Report loan schedule (Schedule RC-C, Part I) to identify

¹⁰ This review is mandated by section 604 of the Financial Services Regulatory Relief Act of 2006 (12 U.S.C. 1817(a)(11)).

¹¹ See 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); and 12 CFR 324.2 (FDIC).

¹² See Section 214 of the Economic Growth, Regulatory Relief, and Consumer Protection Act.

for supervisory purposes the amount of HELOCs that have converted to non-revolving closed-end status. The other commenter suggested segregating closed-end HELOCs using a separate loan category code, which may also imply separate reporting and disclosure of such HELOCs.

One commenter also requested that the agencies clarify the reporting treatment for “drawdowns of a HELOC Flex product that contain ‘lock-out’ features,” which was described as the borrower’s exercise of an option to convert a draw on the line of credit to “a fixed rate interest structure with defined payments and term.”

After considering the comments received, the agencies decided not to implement the proposed clarification to the instructions for Schedule RC-C, Part I, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), that would result in revolving, open-end lines of credit secured by 1-4 family residential properties that have converted to non-revolving closed-end status being reported as closed-end loans. In light of the guidance in the instructions for the Board’s FR Y-14M report that directs reporting entities to continue to report HELOCs that are no longer revolving credits in the Home Equity schedule, the agencies propose to adopt this treatment for Call Report purposes. However, recognizing the existing diversity in practice in which some institutions report HELOCs that have converted from revolving to non-revolving status as closed-end loans in the Call Report while other institutions continue to report such HELOCs as open-end loans, the agencies proposed that institutions report all HELOCs that convert to closed-end status on or after January 1, 2021, as open-end loans in Schedule RC-C, Part I, item 1.c.(1). An institution that currently reports HELOCs that have converted to non-revolving closed-end status as open-end loans in Schedule RC-C, Part I, item 1.c.(1), should not change its reporting practice for these loans and should continue to report these loans in item 1.c.(1) regardless of their conversion date. An institution that currently reports HELOCs that convert to non-revolving closed-end status as closed-end loans in Schedule RC-C, Part I, item 1.c.(2)(a) or 1.c.(2)(b), as appropriate, may continue to report HELOCs that convert on or before December 31, 2020, as closed-end loans in Call Reports for report dates after that date. Alternatively, the institution may choose to begin reporting some or all of these closed-end HELOCs as open-end loans in item 1.c.(1) as of the March 31, 2020, or any subsequent report date, provided this reporting treatment is consistently applied.

With respect to HELOC Flex products, the proposed reporting treatment described above would mean that amounts drawn on a HELOC during its draw period that a borrower converts to a closed-end amount before the end of this period also should be reported as open-end loans in Schedule RC-C, Part I, item 1.c.(1), subject to the transition guidance above.

The agencies also agreed with commenters’ suggestion to create a memorandum item in Schedule RC-C, Part I, in which institutions would report the amount of HELOCs that have converted to non-revolving closed-end status that are included in item 1.c.(1), “Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit.” This new Memorandum item 16 in Schedule RC-C, Part I, would enable the agencies to monitor the proportion of an institution’s home equity credits in

revolving and non-revolving status and changes therein and assess whether changes in this proportion in relation to changes in past due and nonaccrual home equity credits and charge-offs and recoveries of such credits warrant supervisory follow-up. Memorandum item 16 would be collected quarterly in the FFIEC 031 and the FFIEC 041 Call Reports and semiannually as of June 30 and December 31 in the FFIEC 051 Call Report. To provide time needed for any systems changes, the agencies would implement this new memorandum item as of the March 31, 2021, report date in the FFIEC 031 and the FFIEC 041 Call Reports and as of the June 30, 2021, report date in the FFIEC 051 Call Report.

On January 27, 2020, the FDIC, the Board, and the OCC jointly published a final Paperwork Reduction Act Federal Register notice (the January 2020 notice) regarding their submission to OMB of a proposal to extend, with revision, the Call Report and one other interagency report¹³ (85 FR 4780). The comment period ended on February 26, 2020. The agencies received comments on the proposed reporting changes only to the Call Report from two parties. These comments related solely to the Call Report revisions arising from the agencies' final rule on the standardized approach for counterparty credit risk (SA-CCR) on derivative contracts. On November 19, 2019, the agencies announced that they had adopted this final rule implementing a new approach for calculating the exposure amount of derivative contracts under the agencies' regulatory capital rule. The final rule was published in the Federal Register on January 24, 2020 (85 FR 4362). The SA-CCR final rule takes effect April 1, 2020 (i.e., for the Call Report for the June 30, 2020, report date) with a mandatory compliance date of January 1, 2022 (i.e., for the Call Report for the March 31, 2022, report date).

One commenter addressed the reporting of counterparty exposure data in Call Report Schedule RC-O, Memorandum items 14 and 15. The commenter recommended that institutions required to report such data (i.e., "highly complex institutions" as defined in the FDIC's assessment regulations, 12 CFR 327.8(g)) should be allowed to calculate the amount of counterparty derivative exposure that would be included in these two Memorandum items using the SA-CCR methodology once these institutions have adopted this methodology for regulatory capital purposes. The commenter noted that the agencies' January 2020 notice stated that these institutions would continue to use the current exposure methodology (CEM), rather than the SA-CCR methodology, to calculate counterparty derivative exposures for purposes of Memorandum items 14 and 15. The commenter further recommended that all changes to the FDIC's assessment methodology as well as instructional clarifications for reporting and calculating counterparty exposure data in Call Report Schedule RC-O should be subject to public notice and comment.

In the agencies' Federal Register notice for the SA-CCR final rule, the FDIC stated that "a lack of historical data on derivative exposure using SA-CCR makes the FDIC unable to incorporate the SA-CCR methodology into the deposit insurance assessment pricing methodology for highly complex institutions upon the effective date of" the SA-CCR

¹³ FFIEC 101, Risk-Based Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework, FDIC OMB No. 3064-0159.

final rule. The FDIC further stated that it “plans to review derivative exposure data reporting using SA-CCR, and then consider options for addressing the use of SA-CCR in the deposit insurance assessment system.” The agencies’ January 2020 notice reiterated these statements, adding that the instructions for reporting counterparty exposures in Schedule RC-O, Memorandum items 14 and 15, would clarify that highly complex institutions would continue to be required to calculate derivative exposures using CEM. The counterparty exposure data reported in Memorandum items 14 and 15 are inputs to the scorecard for highly complex institutions that is used to determine the initial base assessment rate for such institutions.¹⁴ Thus, the instructions for Memorandum items 14 and 15 must be aligned with the deposit insurance assessment pricing methodology for highly complex institutions set forth in the FDIC’s assessment regulations. Because these regulations continue to specify the use of CEM when calculating derivative exposures, the agencies are retaining the instructions for these two Memorandum items that would be clarified as described above and would not allow institutions to use the SA-CCR methodology for deposit insurance assessment purposes. After sufficient monitoring of derivative exposure data calculated for regulatory capital purposes using SA-CCR enables the FDIC to consider options for addressing the use of SA-CCR for assessment purposes, any changes to the deposit insurance assessment system would be made through the notice and comment rulemaking process. Any proposed rulemaking could be expected to explain the effect the proposal, if adopted, would have on the instructions for the derivative exposure calculation within the measurement of the counterparty exposures to be reported in Call Report Schedule RC-O, Memorandum items 14 and 15.

Another comment cited concerns with 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.

The agencies note that they had proposed in their January 2020 notice to clarify the instructions for reporting notional amounts in Schedule RC-R, including the reporting of the “SA-CCR notional” amount by institutions that use SA-CCR, in response to this same commenter’s recommendation to clarify these instructions in its comment letter on the agencies’ initial Paperwork Reduction Act Federal Register notice for proposed revisions to the Call Report and one other interagency report, which was published October 4, 2019 (84 FR 53227) (October 2019 notice). In that comment letter, the commenter appeared to recommend that the reporting of notional amounts in Schedule RC-R by institutions that use SA-CCR be based on the “SA-CCR notional” amount. Absent this comment on the

¹⁴ See 12 CFR 327.16(b)(2)(ii)(A)(2)(iii) and 12 CFR Part 327, Appendix A, Section VI. Description of Scorecard Measures.

October 2019 notice, the agencies would have retained the current practice for reporting notional amounts in Schedule RC-R. After considering this comment on the January 2020 notice, the agencies now will retain the current method of reporting notional amounts in Schedule RC-R for all institutions rather than making the instructional clarification proposed in their January 2020 notice. Thus, the agencies will 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 payment or gift will be provided to respondents.

10. 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. Information of a Sensitive Nature

The Call Report contains no questions of a sensitive nature.

12. Estimate of Annual Burden

It is estimated that, on average, it will take an FDIC-supervised institution approximately 39.43 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 dates of the various regulatory capital rules and the reporting changes for operating lease liabilities and home equity lines of credit that have converted to non-revolving status. The estimate of 39.43 hours each quarter, on average, would represent a decrease from the currently estimated average reporting burden of 43.44 hours per quarter. As a result, the estimated total annual ongoing reporting burden for the 3,386 FDIC-supervised institutions to prepare and file the Call Report after the proposed revisions have taken effect would be 534,097 hours, which would be a decrease from the current annual estimate of 605,206 hours.

The FDIC's estimated average of 39.43 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 agencies, the estimated average burden hours per quarter are 36.76 (FFIEC 051), 48.74 (FFIEC 041), and 65.16 (FFIEC 031). The estimated burden hours for the currently approved reports are 40.23 (FFIEC 051), 52.79 (FFIEC 041), and 67.09 (FFIEC 031), which means that the revisions that are the subject of this submission would represent a reduction in estimated average burden hours per quarter of 3.47 (FFIEC 051), 4.05 (FFIEC 041), and 1.93 (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 031.¹⁵ 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

¹⁵ For estimating burden hours, the agencies assumed 60 percent of eligible institutions would use the CBLR framework.

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 \$84.88¹⁶ for Call Report preparation and an estimated total ongoing annual reporting burden of 534,097 hours, the total annual cost to all 3,386 FDIC-supervised institutions for this information collection is estimated to be \$45.3 million.

13. Estimate of Start-up Costs to Respondents

None.

14. Estimate of Total Annual Cost to the Federal Government

None.

15. Reason for Change in Burden

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 3,386 FDIC-supervised institutions, which is 97 less than previously reported (3,483 previously versus 3,386 now), which results in 388 fewer responses per year for this quarterly report. An analysis of the change in the overall estimated annual burden for the 3,386 FDIC-supervised institutions currently subject to the Call Report information collection as it is proposed to be revised is as follows:

¹⁶ This estimate is derived from the May 2018 75th percentile hourly wage rate reported by the Bureau of Labor Statistics, National Industry-Specific Occupational Employment, and Wage Estimates for Financial Managers (\$71.49), Bookkeeping, Accounting, and Auditing Clerks (\$23.31), and Financial Specialists (\$46.29), and the mean hourly wage for Chief Executives (\$102.30) and Lawyers (\$86.14) in the Depository Credit Intermediation sector. The wage rates have been adjusted for changes in the Consumer Price Index for all Urban Consumers between May 2018 and September 2019 (2.28 percent) and grossed up by 51 percent to account for non-monetary compensation as reported by the September 2019 Employer Costs for Employee Compensation Data. Assuming that 15 percent of the work would require the skills of a chief executive at an hourly cost of \$158.05, 5 percent would require a Lawyer at an hourly cost of \$133.09, 25 percent would require a Financial Manager at an hourly cost of \$110.45, 35 percent would require a Bookkeeping, Accounting, and Auditing Clerk at an hourly cost of \$36.01, and 20 percent would require a Financial Specialist at an hourly cost of \$71.52, the hourly wage estimate for this information collection is $(0.15*158.05 + 0.05*133.09 + 0.25*110.45 + 0.35*36.01 + 0.2*71.52 = \$84.88)$.

FFIEC 031, FFIEC 041, and FFIEC 051	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Currently Approved Burden	3,483	4	43.44	605,206
Proposed Burden				
FFIEC 031	24	4	65.16	6,255
FFIEC 041	700	4	48.74	136,471
FFIEC 051	<u>2,662</u>	4	36.76	<u>391,371 0</u>
<i>Total</i>	3,386	4	39.43	534,0970
<i>Change</i>	(97)			0

16. Publication

Not applicable.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.