

**Supporting Statement for:  
Consolidated Reports of Condition and Income  
(Interagency Call Report)  
OMB Control No. 1557-0081  
and Reporting for Institutions Subject to the  
Advanced Capital Adequacy Framework (FFIEC 101)  
OMB Control No. 1557-0239**

## **Background**

The Office of the Comptroller of the Currency (OCC), in coordination with the Federal Deposit Insurance Corporation (FDIC) and the Board of Governors of the Federal Reserve System (Board) (collectively, the agencies), each of which is submitting a separate request, hereby requests approval pursuant to the Office of Management and Budget's (OMB) Paperwork Reduction Act (PRA) emergency processing procedures at 5 CFR § 1320.13 for revisions made during late March 2020, to the Consolidated Reports of Condition and Income (Call Report), Control No. 1557-0081, Reporting for Institutions Subject to the Advanced Capital Adequacy Framework, Control No. 1557-0239, and which are currently approved collections of information.

In connection with this request, the agencies are providing a summary of the three interim final rules issued in response to disruptions related to COVID-19 and one reporting change related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).<sup>1</sup>

## **Summary of Actions and Related Revisions**

### Eligible Retained Income - Interim Final Rule (Call Report)

#### *Summary*

Under the capital rule, a banking organization must maintain a minimum amount of regulatory capital. In addition, a banking organization must maintain a buffer of regulatory capital above its minimum capital requirements to avoid restrictions on capital distributions. The agencies intend for the buffer requirements to limit the ability of banking organizations to distribute capital in the form of dividends and discretionary bonus payments and therefore strengthen the ability of banking organizations to continue lending and conducting other financial intermediation activities during stress periods. The agencies are concerned, however, that the existing calculation method could lead to sudden and severe distribution limits if such banking organizations were to experience even a modest reduction in their capital ratios.

Therefore, the agencies adopted an interim final rule<sup>2</sup> on March 20, 2020, that revises the definition of eligible retained income. By modifying the definition of eligible retained income and thereby allowing banking organizations to more freely use their capital buffers, this interim final rule should help to promote lending activity and other financial intermediation activities by banking organizations and avoid compounding disruptions due to COVID-19.

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<sup>1</sup> Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (March. 27, 2020).

<sup>2</sup> 85 FR 15909

### *Reporting Revisions*

The interim final rule on Eligible Retained Income revises the calculation on the Call Report, Schedule RC-R, Part I, Item 53, “Eligible retained income”.

Previously, an institution’s eligible retained income was net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income. Under the interim final rule, an institution would now report the amount of eligible retained income as the greater of (1) an institution’s net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of an institution’s net income over the four preceding calendar quarters.

For Schedule RC-R, Part I, item 53, four preceding calendar quarters refers to the current calendar quarter and three preceding calendar quarters. The average of an institution’s net income over the four preceding calendar quarters refers to average of three-month net income for the current calendar quarter and three-month net income for the three preceding calendar quarters as illustrated in the example below.

### Money Market Mutual Fund Liquidity Facility (MMLF) – Interim Final Rule (Call Report and FFIEC 101)

#### *Summary*

To enhance the liquidity and functioning of money markets, the Federal Reserve Bank of Boston launched the Money Market Mutual Fund Liquidity Facility, or MMLF, on March 18, 2020. On March 23, 2020, the agencies published an interim final rule<sup>3</sup>, which permits banking organizations to exclude from regulatory capital requirements exposures related to the MMLF.

The interim final rule modifies the agencies’ capital rule to allow banking organizations to neutralize the effects of purchasing assets through the MMLF on their risk-based and leverage capital ratios. This treatment extends to the community bank leverage ratio. Specifically, a banking organization may exclude from its total leverage exposure, average total consolidated assets, standardized total risk-weighted assets, and advanced approaches total risk-weighted assets, as applicable, any exposure acquired pursuant to a non-recourse loan from the MMLF. The interim final rule only applies to activities with the MMLF. The facility is scheduled to terminate on September 30, 2020, unless the facility is extended by the Federal Reserve Board.

### *Reporting Revisions*

#### *Call Report*

Starting with the March 31, 2020 reporting period, banking organizations would include the amount of assets purchased from the MMLF in Schedule RC-B and Schedule RC-R, as appropriate.

For regulatory capital reporting, assets purchased from the MMLF should be reported in either Schedule RC-R, Part II, item 2.a., “Held-to-maturity securities,” or Schedule RC-R, Part II, item

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<sup>3</sup> 85 FR 16232

2.b., “Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading ,” as appropriate, in both Column A (Totals) and Column C (0% risk-weight category) . The average of such assets purchased would be reported in Schedule RC-R, part I, item 29, “LESS: Other deductions from (additions to) assets for leverage ratio purposes,” and thus excluded from Schedule RC-R, item 30, “Total assets for the leverage ratio.”

Advanced approaches banking organizations should not include assets purchased from the MMLF in “total risk-weight assets (RWAs)” reported in the FFIEC 101, Schedule A, item 60 or Schedule, RC-R, Part I, item 48.b. For banking organizations subject to the supplementary leverage ratio requirement, assets purchased from the MMLF would receive similar treatment as under the “leverage ratio” and should be reported in the FFIEC 101, Schedule A, SLR Table 2, item 2.2.b, “Deductions of qualifying central bank deposits from total on-balance sheet exposures for custodial banking organizations,.” even if a banking organization is not a custodial banking organization. Banking organizations would report their adjusted “Total leverage exposure” and “Supplementary leverage ratio” in Schedule RC-R, Part I, item 55.a and 55.b.

Borrowings from the Federal Reserve Bank of Boston would be included in Schedule RC, item 16, “Other borrowed money,” and included in Schedule RC-M, item 5.b.(1)(a), “Other borrowed money with a remaining maturity of one year or less.”

Furthermore, banking organizations are encouraged to separately disclose in a “Narrative Statement Concerning the Amounts Reported in the Reports of Condition and Income,” the amount of assets purchased from the MMLF included in Schedule RC-R, Part II, item 2.a. or 2.b. In addition, banking organizations are encouraged to separately disclose in a similar narrative, the average amount of assets purchased from the MMLF that were excluded from Schedule RC-R, item 30.

#### *FFIEC 101 Revisions*

Advanced approaches banking organizations should not include assets purchased from the MMLF in “total risk-weight assets (RWAs)” reported in the FFIEC 101, Schedule A, item 60. A banking organization, even if it is not a custodial banking organization, should include assets purchased from the MMLF in the FFIEC 101, Schedule A, SLR Table 1, item 1.7.c, “Adjustments for deductions of qualifying central bank deposits for custodial banking organizations”. For banking organizations subject to the supplementary leverage ratio requirement, assets purchased from the MMLF would receive similar treatment as under the “leverage ratio” and should be reported in the FFIEC 101, Schedule A, SLR Table 2, item 2.2.b, “Deductions of qualifying central bank deposits from total on-balance sheet exposures for custodial banking organizations,.” even if a banking organization is not a custodial banking organization.

#### Current Expected Credit Losses Revised Transition – Interim Final Rule (Call Report and FFIEC 101)

##### *Summary*

The interim final rule,<sup>4</sup> published on March 31, 2020, delays the estimated impact on regulatory capital stemming from the implementation of Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments (CECL). The interim final rule provides banking organizations that implement CECL before the end of 2020 the option to delay for two years an estimate of CECL’s effect on regulatory capital, relative to the incurred loss methodology’s effect on regulatory capital, followed by a three-year transition period. The agencies are providing this relief to allow such banking organizations to better focus on supporting lending to creditworthy households and businesses in light of market disruptions as a result of COVID-19, while also maintaining the quality of regulatory capital.

### *Reporting Revisions*

The interim final rule on Current Expected Credit Losses Regulatory Capital Transition would revise the calculation on the Call Report, Schedule RC-R, Part I, Items 2 (“Retained earnings”); 27 (“Average total consolidated assets”); 42 (FFIEC 041 and FFIEC 051) or 42.a. (FFIEC 031) (“Allowance for Loan and Lease Losses includable in Tier 2 capital”); 42.b. (Eligible credit reserves includable in tier 2 capital) (FFIEC 031 only); and 55.a (“Total leverage exposure”) (FFIEC 031 and 041 only); and Schedule RC-R, Part II, Item 8 (“All other assets”). The rule would also revise the following items on the FFIEC 101, Schedule A: Item 2 (“Retained earnings”); Item 21 (Temporary difference DTAs); Item 50 (Eligible credit reserves in Tier 2 capital); and Supplementary Leverage Ratio Table 1, Item 1.8 (Total Leverage Exposure).

Institutions that elect the 2020 CECL transition approach would calculate the following amounts, as applicable. AACL refers to the Adjusted Allowances for Credit Losses, as defined in 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); or 12 CFR 324.2 (FDIC):

CECL Transitional Amount means the decrease in the amount of an institution’s retained earnings as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s retained earnings as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.

DTA Transitional Amount means the increase in the amount of an institution’s DTAs arising from temporary differences as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.

AACL Transitional Amount means the difference in the amount of an institution’s AACL as of the beginning of the fiscal year in which the institution adopts CECL and the amount of the institution’s ALLL as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.

Eligible Credit Reserves Transitional Amount (for advanced approaches institutions filing FFIEC 101 only) means the increase in the amount of an institution’s eligible credit reserves as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the

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<sup>4</sup> 85 FR 17723

institution's eligible credit reserves as of the closing of the fiscal year-end immediately prior to the institution's adoption of CECL.

Modified CECL Transitional Amount means A) during the first two years of the transition period, the difference between AACL as reported in the most recent Call Report (or FR Y-9C), and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the CECL transitional amount, and B) during the last three years of the transition period, the difference between AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the CECL transitional amount.

Modified AACL Transitional Amount means A) during the first two years of the transition period, the difference between AACL as reported in the most recent Call Report (or FR Y-9C), and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount, and B) during the last three years of the transition period, the difference between AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount.

#### Adjustments to Instructions for Call Report Data Items

RC-R, Part I, Item 2: (Retained Earnings) – An institution electing the 2020 CECL transition would add the Modified CECL Transitional Amount, as defined in section 301 of the agencies' regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

RC-R, Part I, Item 2.a: (CECL Transition) (Starting in June 30, 2020, Call Report) – An institution that has adopted CECL would report whether it is using a CECL transition, as defined in section 301 of the agencies' regulatory capital rules, in the Call Report for the current quarter. The institution can choose from the following entries: 0 = Did not Adopt; 1 = Adopted Without Transition; 2 = 3-year CECL Transition; 3 = 5-year 2020 CECL Transition.

(FFIEC 041 and FFIEC 051) RC-R, Part I, Item 15: (DTAs Arising from Temporary Differences) – An institution electing the 2020 CECL transition would subtract the DTA Transitional Amount, as defined in section 301 of the agencies' regulatory capital rules, from the amount of DTAs from temporary differences used in the calculation of this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

(FFIEC 031) RC-R, Part I, Item 15.a. or 15.b.: (DTAs Arising from Temporary Differences) – An institution electing the 2020 CECL transition would subtract the DTA Transitional Amount, as defined in section 301 of the agencies' regulatory capital rules, from the amount of DTAs from temporary differences used in the calculation of this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

RC-R, Part I, Item 27: (Average Total Consolidated Assets) – An institution electing the 2020 CECL transition would add the Modified CECL Transitional Amount, as defined in section 301 of the agencies’ regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

RC-R, Part I, Item 42: (Adjusted Allowances for Credit Losses/ALLL in Tier 2 Capital) – An institution electing the 2020 CECL transition would subtract the Modified AACL Transitional Amount, as defined in section 301 of the agencies’ regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

(FFIEC 031 and FFIEC 041) RC-R, Part I, Item 55.a: (Total Leverage Exposure) – For an institution subject to the supplementary leverage ratio (advanced approaches or Category III institution), the institution electing the 2020 CECL transition would add the Modified CECL Transitional Amount, as defined in section 301 of the agencies’ regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

(FFIEC 031): RC-R, Part I, Item 42.b: (Eligible Credit Reserves) – For an institution subject to the advanced approaches, the institution electing the 2020 CECL transition would deduct Eligible Credit Reserves Transitional Amount, as defined in section 301 of the agencies’ regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

RC-R, Part II, Item 8: (All Other Assets) – An institution electing the 2020 CECL transition would subtract the DTA Transitional Amount, as defined in section 301 of the agencies’ regulatory capital rules, from the amount of temporary difference DTAs associated with the AACL that are risk-weighted in this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

Adjustments to the FFIEC 101 (Advanced Approaches and Category III banks):

#### Schedule A

Item 2 – Retained Earnings: An institution that has elected to apply the 2020 CECL Transition provision would add the *Modified CECL Transitional Amount*, as defined in section 301 of the regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

Item 21 - DTAs arising from temporary differences: An institution that has elected to apply the 2020 CECL transition would subtract the *DTA Transitional Amount*, as defined in section 301 of the regulatory capital rules, from the amount of DTAs from temporary differences used in the calculation of this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

Item 50 – Eligible credit reserves includable in Tier 2 capital. An institution that has elected to apply the 2020 CECL transition would subtract *Eligible Credit Reserves Transitional Amount*, as defined in section 301 of the regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

### Supplementary Leverage Ratio

#### Table 1

Item 1.8 – Total leverage exposure: An institution that has elected to apply the 2020 CECL Transition would add the *Modified CECL Transitional Amount*, as defined in section 301 of the regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

### CARES Act – Section 4013 (Call Report)

#### *Summary*

Section 4013 of the CARES Act permits banking organizations flexibility in modifying loans related to COVID-19. The statute also permits the agencies to collect information about the volume of loans modified under this section. Since the agencies anticipate a significant amount of activity related to these modifications will occur in the second quarter, the agencies are requesting emergency clearance to add a new reporting item for these loans.

#### *Reporting Revisions*

While the agencies are interested in the balance of loans modified in the first quarter, it is not operationally feasible to add a new item, as the first quarter reporting forms have already been published. Therefore, a new data item would be added to the Call Report, Schedule RC-C, starting in the second quarter of 2020. The agencies would tentatively add this as new memorandum item 17. Banks would be required to report the ending balance of any loans modified under this section of the statute.

### **A. JUSTIFICATION**

#### **1. *Circumstances and Need:***

The OCC requires the information collected on the Call Reports to fulfill its statutory obligation to supervise national banks and Federal savings associations. These institutions are required to file detailed schedules of assets, liabilities, and capital accounts in the form of a

condition report and summary statement as well as detailed schedules of operating income and expense, sources and disposition of income, and changes in equity capital.

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

Within the Call Report information collection system as a whole, there are three reporting forms that apply to different categories of banks: (1) all banks that have domestic and foreign offices (FFIEC 031), total assets of \$100 billion or more, or are Category I or II institutions (2) banks with domestic offices only (FFIEC 041), and (3) banks with domestic offices only with total assets of \$5 billion or less (FFIEC 051).

## **2. *Use of Information Collected:***

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

## **3. *Use of Technology to Reduce Burden:***

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

## **4. *Efforts to Identify Duplication:***

There is no other series of reporting forms that collect this information from all commercial and savings banks. Although there are other information collections that are similar

to certain items on the Call Reports, the information they collect would be of limited value as a replacement for the Call Reports.

**5. *Minimizing the Burden on Small Entities:***

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

**6. *Consequences of Less Frequent Collection:***

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

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

Not applicable.

**8. *Consultation with Persons Outside the OCC:***

This emergency clearance will be renewed by issuing 60 and 30 day notices.

**9. *Payment or Gift to Respondents:***

No payments or gifts will be given to respondents.

**10. *Confidentiality:***

Except for selected data items, the Call Report is not given confidential treatment.

**11. *Information of a Sensitive Nature:***

No information of a sensitive nature is requested.

**12. *Estimate of Annual Burden:***

Estimated Number of Respondents: 1,143 national banks and federal savings associations.

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

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

The estimated average burden hours collectively reflect the estimates for the FFIEC 051, the FFIEC 041, and the FFIEC 031 reports for each agency. When the estimates are calculated by type of report across the agencies, the estimated average burden hours per quarter are 36.70 (FFIEC 051), 50.11 (FFIEC 041), and 95.42 (FFIEC 031). The estimated burden hours for the currently approved reports are 40.27 (FFIEC 051), 53.72 (FFIEC 041), and 95.60 (FFIEC 031), so the revisions proposed in this notice would represent a reduction in estimated average burden hours per quarter of 3.57 (FFIEC 051), 3.61 (FFIEC 041), and 0.18 (FFIEC 031). The change in burden is predominantly due to changes associated with the community bank leverage ratio final rule. The reduction in average burden hours is significantly less for the FFIEC 031 than for the FFIEC 041 or the FFIEC 051 because greater percentages of institutions that would be eligible to report under the proposed community bank leverage ratio framework currently file the FFIEC 041 or the FFIEC 051 than the FFIEC 031.<sup>5</sup>

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

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

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

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

Not applicable.

**14. *Estimates of Annualized Cost to the Federal Government:***

Not applicable.

**15. *Change in Burden:***

There is no change in burden.

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

Not applicable.

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<sup>5</sup> For estimating burden hours, the agencies assumed 60 percent of eligible institutions would use the framework.

**17. *Exceptions to Expiration Date Display:***

None.

**18. *Exceptions to Certification:***

None.

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable.