

**Supporting Statement for the  
Consolidated Reports of Condition and Income  
(FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036)**

**Summary**

The Board of Governors of the Federal Reserve System (Board) requests 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. 7100-0036). With respect to the Board, these reports are required of state member banks and are filed on a quarterly basis. The revisions to the Call Reports that are the subject of this request have been approved by the FFIEC. The Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) (together with the Board, the agencies) have also submitted similar requests for OMB review to request this information from banks under their supervision.

The Board uses the information collected on the Call Reports to fulfill its statutory obligation to supervise state member banks. State member banks are required to file detailed schedules of assets, liabilities, and capital accounts in the form of a condition report and summary statement as well as detailed schedules of operating income and expense, sources and disposition of income, and changes in equity capital.

The agencies propose to revise the Call Reports related to interim final rules and a final rule issued in response to disruptions related to the Coronavirus Disease 2019 (COVID-19) that revise the agencies' capital rule, the Board's regulations on reserve requirements and insider loans, and the FDIC's deposit insurance assessments regulations as well as certain sections of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) for which the agencies received emergency approvals from OMB. In addition, the agencies propose changes to the Call Report related to U.S. generally accepted accounting principles (GAAP). Further, the agencies propose revisions to the Call Report to reflect the expiration of the temporary exception for estimated disclosures on international remittance transfers and certain amendments to the Remittance Rule recently finalized by the Consumer Financial Protection Bureau (Bureau), which is a member of the FFIEC. The agencies also propose revisions to the Call Reports that would implement various changes to the agencies' capital rule that the agencies have finalized or are considering finalizing. The proposed reporting revisions resulted from the final total loss absorbing capacity (TLAC) investments rule.

The current estimated total annual burden for the Call Reports is 134,114 hours, and would increase to 134,202 hours. The proposed revisions would result in an increase of 88 hours. The forms and instructions are available on the FFIEC's public website at [https://www.ffiec.gov/ffiec\\_report\\_forms.htm](https://www.ffiec.gov/ffiec_report_forms.htm).

## **Background and Justification**

State banks that are members of the Federal Reserve System are required by section 9(6) of the Federal Reserve Act (12 U.S.C. § 324) to file reports of condition with the Board. The Board, acting in concert with the other federal banking supervisory agencies through the FFIEC since 1979, requires state member banks to submit on the quarterly Call Reports such financial data as are needed by the Federal Reserve System to supervise and regulate banks through monitoring of their financial condition, ensuring the continued safety of the public's monies and the overall soundness of the nation's financial structure, and discharging of the Federal Reserve's monetary policy responsibilities. The data, which generally is made publicly available by the agencies, is used not only by the federal government, but also by state and local governments, the banking industry, securities analysts, and the academic community.

## **Description of Information Collection**

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

The Call Reports consist of three reporting forms that apply to different categories of state member banks. Currently, banks that have foreign offices or that have total consolidated assets of \$100 billion or more must file the FFIEC 031, banks with domestic offices only and total consolidated assets of less than \$100 billion but more than \$5 billion file the FFIEC 041, and banks with domestic offices only and total assets less than \$5 billion file the FFIEC 051.

The information collected by the Call Reports is not available from other sources. Although there are other reports that collect information similar to certain items on the Call Reports, the information they collect would be of limited value as a replacement for Call Report data. For example, the Board collects various data in connection with its measurement of monetary aggregates, bank credit, and flow of funds.<sup>1</sup> These reports provide the Board with detailed information relating to balance sheet accounts such as balances due from depository institutions, loans, and deposit liabilities. These collections of information, however, are collected on a weekly basis usually prepared as of dates other than the last business day of each quarter. Moreover, information on bank credit is obtained on a sample basis rather than from all insured banks. Additionally, institutions below a certain size are exempt entirely from some of these reporting requirements.

The Board also collects financial data from bank holding companies on a regular basis. Such data is generally required to be reported for the holding company on a consolidated basis, including its banking and nonbanking subsidiaries, and on a parent-company-only basis. Data collected from bank holding companies on a consolidated basis reflect aggregate amounts for all

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<sup>1</sup> Report of Transaction Accounts, Other Deposits, and Vault Cash (FR 2900; OMB No. 7100-0087) and Weekly Report of Selected Assets and Liabilities of Domestically Chartered Commercial Banks and U.S. Branches and Agencies of Foreign Banks (FR 2644; OMB No. 7100-0075).

entities within the organization, including banking and nonbanking subsidiaries, so that the actual dollar amounts applicable to any banking subsidiary would not be determinable from the holding company reporting information. Therefore, reports collected from bank holding companies lack the data necessary to assess the financial condition of individual banks to determine whether there had been any deterioration in their condition.

Banks are required to transmit their Call Report data electronically. Each bank must maintain in its files for three years a signed and attested record of its completed report each quarter.

### **Respondent Panel**

The respondent panel for the Call Report consists of all state member banks. State member banks that have foreign offices or that have total consolidated assets of \$100 billion or more must file the FFIEC 031, banks with domestic offices only and total consolidated assets of less than \$100 billion but more than \$5 billion file the FFIEC 041, and banks with domestic offices only and total assets less than \$5 billion file the FFIEC 051.

## **Proposed Revisions**

### **Regulation-Related Revisions**

From March through June 2020, in response to the impact on the financial markets and the strains on the U.S. economy as a result of COVID-19, the agencies published in the *Federal Register* numerous interim final rules to make certain changes to their regulatory capital and liquidity rules to support prudent lending by banking organizations and facilitate banking organizations' use of the Board's emergency facilities. These revisions primarily affect the instructions for the calculation of certain amounts reported on Schedule RC-R, Regulatory Capital, and apply to the three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051). Certain revisions also involve the addition of new data items to Call Report Schedule RC-M, Memoranda. In addition, the Board made revisions to its Regulation D - Reserve Requirements of Depository Institutions (12 CFR Part 204) that affect the reporting of deposit liabilities on Call Report Schedule RC-E, Deposit Liabilities and issued an interim final rule that provides a certain exception to the reporting of extensions of credit to insiders on Call Report Schedule RC-M, required by section 22(h) of the Federal Reserve Act and the corresponding provisions of the Board's Regulation O - Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks (12 CFR Part 215). The FDIC proposed and subsequently adopted revisions to its deposit insurance assessment rules that require the collection of new data items on Call Report Schedule RC-M.

The agencies requested and received emergency approvals on April 3, 2020, from OMB to implement revisions to the Call Report that took effect beginning with the March 31, 2020, report date. Subsequently, the agencies requested and received emergency approvals on May 27, 2020, from OMB to implement revisions to the Call Report that took effect beginning with the June 30, 2020, report date. The agencies requested comment on whether there should be any further changes to the items or instructions developed by the agencies to implement the revisions

for which emergency approvals were received from OMB, and in regard to the Board Regulation D amendments, on whether to adopt proposed revisions to the Call Report to remove a reporting option that was implemented by the emergency approvals and could result in the collection of ambiguous data.

Further, the agencies requested comment in connection with each of the interim final rules described below. If modifications are made to the associated final rules, the agencies would modify the information collection revisions in this proposal to incorporate such changes.

#### *Definition of Eligible Retained Income*

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 and discretionary bonus payments. 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 (ERI). By modifying the definition of ERI 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.

The instructions for Schedule RC-R, Part I, item 53, “Eligible retained income,” have been revised to incorporate the revisions reflected in the ERI interim final rule. Beginning with the March 31, 2020, report date, institutions that are required to report amounts in item 53 should report 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.

#### *Money Market Mutual Fund Liquidity Facility*

To enhance the liquidity and functioning of money markets, the Federal Reserve Bank of Boston (FRBB) launched the Money Market Mutual Fund Liquidity Facility (MMLF) on March 18, 2020.<sup>3</sup> On March 23, 2020, the agencies published an interim final rule, which permits banking organizations to exclude from regulatory capital requirements exposures related to the MMLF (MMLF interim final rule).<sup>4</sup>

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<sup>2</sup> 85 FR 15909 (March 20, 2020).

<sup>3</sup> See <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200318a.htm>.

<sup>4</sup> 85 FR 16232 (March 23, 2020).

The MMLF interim final rule modifies the agencies' capital rule to allow banking organizations to neutralize the effects of purchasing assets from money market mutual funds under 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 from an eligible money market mutual fund pursuant to a non-recourse loan under the MMLF and pledged to the FRBB. The MMLF interim final rule applies only to activities under the MMLF. The facility is scheduled to terminate on December 31, 2020, unless the facility is extended by the Board.

Consistent with U.S. GAAP, the agencies would expect banking organizations to report assets purchased from money market mutual funds under the MMLF on their balance sheets. To be eligible collateral for pledging to the FRBB, assets must be purchased from an eligible money market mutual fund at either the seller's amortized cost or fair value. Thereafter, banking organizations would subsequently measure the assets at amortized cost or fair value depending on the asset category in which the assets are reported on their balance sheets. The non-recourse nature of the transaction through the MMLF would impact the valuation of the liability to the FRBB. After reflecting any appropriate discounts on the assets purchased and the associated liabilities, organizations are not expected to report any material net gains or losses (if any) at the time of purchase. Any discounts generally would be accreted over time into income and expense.

On May 12, 2020, the FDIC approved a proposed rule modifying its deposit insurance assessment rules to mitigate the effects of participation in the MMLF on insured depository institutions (IDIs).<sup>5</sup> The proposed changes would remove the effect of participation in the MMLF program on certain adjustments to an IDI's assessment rate, provide an offset to an IDI's assessment for the increase to its assessment base attributable to participation in the MMLF, and remove the effect of participation in the MMLF program when classifying IDIs as small, large, or highly complex for assessment purposes. On June 26, 2020, the FDIC published a final rule that mitigates the deposit insurance assessment effects of participating in the MMLF program on IDIs as proposed.<sup>6</sup>

Starting with the March 31, 2020, report date, banking organizations that file Call Reports would include their holdings of assets purchased from money market mutual funds under the MMLF in the appropriate asset category on Schedule RC, Balance Sheet, and Schedule RC-R, Regulatory Capital. On Schedule RC, banking organizations would report negotiable certificates of deposit not held for trading in item 1.b, held-to-maturity securities in item 2.a, available-for-sale (AFS) securities in item 2.b, and negotiable certificates of deposit and securities held for trading in item 5, as appropriate.<sup>7</sup> For regulatory capital reporting purposes,

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<sup>5</sup> 85 FR 30649 (May 20, 2020). The FDIC's proposed rule also would modify its deposit insurance assessment rules to mitigate the effects of participation in the Paycheck Protection Program and the Paycheck Protection Program Liquidity Facility on IDIs.

<sup>6</sup> 85 FR 38282 (June 26, 2020).

<sup>7</sup> In addition, held-to-maturity and available-for-sale securities would be reported by securities category in Schedule RC-B, Securities, and as pledged securities in Memorandum item 1 of this schedule on all three versions of the Call Report. Negotiable certificates of deposit and securities held for trading would be reported by asset category in

the balance sheet amounts of assets purchased through the MMLF would be reported in both Column A (Totals From Schedule RC) and Column C (0% risk-weight category) of the corresponding balance sheet asset categories of Schedule RC-R, Part II (i.e., in items 1, 2.a, 2.b, and 7, respectively).<sup>8</sup>

If a consolidated broker-dealer subsidiary of an institution that files Call Reports has purchased assets from money market mutual funds under the MMLF that the institution reports as “Other assets” on its consolidated balance sheet for financial reporting purposes, the institution should also report these assets in Schedule RC, Balance Sheet, item 11, “Other assets.” Further, for risk-based capital reporting purposes, if applicable, the parent institution of the broker-dealer should report these assets in Column A (Totals From Schedule RC) and Column C (0% risk-weight category) of Schedule RC-R, Part II, item 8, “All other assets.”

The quarterly average of an institution’s holdings of assets purchased from money market mutual funds under the MMLF, including those purchased by a consolidated broker-dealer subsidiary of the institution, would be included as a deduction 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, Part I, item 30, “Total assets for the leverage ratio.”

Borrowings from the FRBB would be included in Schedule RC, item 16, “Other borrowed money,” and included in Schedule RC-M, items 5.b.(1)(a), “Other borrowings with a remaining maturity or next repricing date of “One year or less,” 5.b.(2), “Other borrowings with a remaining maturity of one year or less,” and 10.b, “Amount of “Other borrowings” that are secured.”

Starting with the June 30, 2020, report date, banking organizations that file Call Reports would report the outstanding balance of assets purchased under the MMLF program in new item 18.a on Schedule RC-M and the quarterly average amount outstanding of assets purchased under the MMLF that were excluded from Schedule RC-R, Part I, item 30, “Total assets for the leverage ratio,” in new item 18.b on Schedule RC-M. The amounts reported in these items would include assets purchased by a consolidated broker-dealer subsidiary. These new items would enable the agencies to monitor the impact of the MMLF interim final rule on a banking organization’s leverage ratio and, if applicable, its risk-weighted assets. In addition, the FDIC would use these new items to implement the modifications to its deposit insurance assessment rules to mitigate the effects of participation in the MMLF on IDIs.

The collection of the two new Schedule RC-M data items related to the MMLF program is expected to be time-limited. The agencies plan to propose to discontinue the collection of each item once the aggregate industry activity has diminished to a point where individual institution information is of limited practical utility and is no longer needed for deposit insurance

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Schedule RC-D, Trading Assets and Liabilities, by institutions required to complete this schedule on the FFIEC 031 and the FFIEC 041. Securities held for trading also would be reported as pledged securities in Schedule RC-D, Memorandum item 4.a, on the FFIEC 031.

<sup>8</sup> Reporting in Schedule RC-R, Part II, applies only to institutions that do not have a community bank leverage ratio framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a.

assessment purposes, where applicable.<sup>9</sup>

Institutions subject to the supplementary leverage ratio requirement would report their adjusted “Total leverage exposure” and “Supplementary leverage ratio” in Schedule RC-R, Part I, items 55.a and 55.b, respectively. These institutions would adjust their existing calculations of “Total leverage exposure” by excluding assets purchased from money market funds under the MMLF. The instructions for item 55.a would be revised to state that institutions should measure their total leverage exposure in accordance with section 10(c)(4) of the regulatory capital rules and section 302 of these rules for exposures related to the MMLF.

#### *5-Year 2020 CECL Transition Provision*

The instructions for certain items in Call Report Schedule RC-R, Parts I and II have been revised effective as of the March 31, 2020, report date to incorporate revisions reflected in the interim final rule, Regulatory Capital Rule: Revised Transition for the Current Expected Credit Losses Methodology for Allowances, published in the *Federal Register* on March 27, 2020 (CECL interim final rule).<sup>10</sup> This interim final rule provides institutions that were required to adopt the current expected credit losses methodology (CECL) for accounting purposes during the 2020 calendar year with the option to delay for two years the estimated impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during the initial two-year delay (i.e., a five-year transition, in total). The CECL interim final rule does not replace the current CECL transition option in the agencies’ capital rule, which was adopted in 2019 and allows banking organizations to phase in over a three-year period the day-one effects on regulatory capital that may result from the adoption of CECL (2019 CECL rule).<sup>11</sup> This transition option remains available to institutions that adopt CECL. Thus, institutions required to adopt CECL in 2020, including those that began reporting in accordance with CECL in their first quarter 2020 regulatory reports, have the option to elect the three-year transition option contained in the 2019 CECL rule or the five-year CECL transition option contained in the CECL interim final rule, beginning with the Call Report for the March 31, 2020, report date or such later report date in 2020 as of which institutions first report in accordance with CECL.

The agencies have revised the Call Report Schedule RC-R instructions for the following items in Part I of the schedule to enable institutions that elect the five-year CECL transition option to report their regulatory capital data in accordance with the CECL interim final rule:

- Item 2, “Retained earnings,”
- Item 15 on the FFIEC 041 and FFIEC 051 and items 15.a and 15.b on the FFIEC 031, for certain deferred tax assets arising from temporary differences that exceed an institution’s applicable common equity tier 1 capital deduction threshold,

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<sup>9</sup> These new items will be reviewed in connection with the statutorily mandated review of the Call Report that the agencies must complete by year-end 2022. Per section 604 of the Financial Services Regulatory Relief Act of 2006, the agencies must conduct a review of the information and schedules collected on the Call Report every five years with the purpose of reducing or eliminating requirements that are no longer necessary or appropriate.

<sup>10</sup> 85 FR 17723 (March 27, 2020). The agencies published a correcting amendment in the *Federal Register* 85 FR 29839 (May 19, 2020).

<sup>11</sup> 84 FR 4222 (February 14, 2019).

- Item 27, “Average total consolidated assets,”
- Item 42 on the FFIEC 041 and FFIEC 051 and item 42.a on the FFIEC 031, for the amount of adjusted allowances for credit losses includable in tier 2 capital,
- Item 42.b on the FFIEC 031, “Eligible credit reserves includable in tier 2 capital,” and
- Item 55.a on the FFIEC 031 and FFIEC 041, “Total leverage exposure.”

The instructions for Schedule RC-R, Part II, item 8, “All other assets,” also have been revised to account for the five-year CECL transition option.

In addition, beginning with the June 30, 2020, Call Report, Schedule RC-R, Part I, item 2.a, “Does your institution have a CECL transition election in effect as of the quarter-end report date? (enter “1” for Yes; enter “0” for No.),” will be revised to allow institutions that have adopted CECL to choose from among three entries rather than the current two entries. An institution that has adopted CECL will choose from the following CECL transition election entries: “0” for adopted CECL with no transition election; “1” for a 3-year CECL transition election; and “2” for a 5-year 2020 CECL transition election. An institution that has not adopted CECL will continue to leave item 2.a blank.

#### *Community Bank Leverage Ratio*

Section 4012 of the CARES Act required the agencies to reduce the community bank leverage ratio (CBLR) requirement to 8 percent and provide a qualifying community banking organization whose leverage ratio falls below this community bank leverage ratio requirement a reasonable grace period to satisfy this requirement. Section 4012 also required that these CBLR changes be effective for a temporary period ending on the earlier of the termination date of the national emergency concerning the COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act (National Emergency) or December 31, 2020. The agencies implemented the requirements of section 4012 through an interim final rule.<sup>12</sup> To provide further clarity around the possible end date of the statutory relief, the agencies also issued an interim final rule extending relief for the 8 percent leverage ratio for the remainder of 2020, providing relief through an 8.5 percent leverage ratio in 2021, and resuming the previous 9 percent leverage ratio in 2022.<sup>13</sup> Neither interim final rule changed the methodology for calculating the CBLR, merely the qualifying ratio for an institution to report as a CBLR bank.

There are no substantive Call Report revisions associated with the revised CBLR ratio. However, it is possible that some additional institutions that are now eligible CBLR banks under the lower ratio may choose to use the less burdensome regulatory capital reporting for CBLR banks on Schedule RC-R. At this time, the agencies cannot reliably estimate the number of institutions that might use the CBLR framework for regulatory capital reporting in the second quarter of 2020 under the reduced ratio. However, the agencies plan to revise the burden estimates after more data are available on institutions’ use of the CBLR framework.

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<sup>12</sup> 85 FR 22924 (April 23, 2020).

<sup>13</sup> 85 FR 22930 (April 23, 2020).



*Paycheck Protection Program (PPP) Loans and Liquidity Facility (PPPLF)*

Section 1102 of the CARES Act allows banking organizations to make loans under the PPP of the U.S. Small Business Administration (SBA) in connection with COVID-19 disruptions to small businesses. Although the PPP loans are funded by lenders, the loans receive a guarantee from the SBA. The statute specified that these PPP loans should receive a zero percent risk weight for regulatory capital purposes. The Board subsequently established a liquidity facility, the PPPLF, to extend non-recourse loans to eligible financial institutions to fund PPP loans pledged to the PPPLF and thereby provide additional liquidity to these institutions.<sup>14</sup>

On April 13, 2020, the agencies published an interim final rule with an immediate effective date, which permits banking organizations to exclude from regulatory capital requirements PPP loans pledged to the PPPLF.<sup>15</sup> This interim final rule modifies the agencies' capital rule to allow banking organizations to neutralize the effects on their risk-based capital and leverage ratios of making PPP loans that are pledged under the Board's liquidity facility. 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 from a PPP loan pledged to the Board's liquidity facility. The interim final rule also codified the statutory zero percent risk weight for PPP loans.

On May 12, 2020, the FDIC approved a proposed rule modifying its deposit insurance assessment rules to mitigate the effects of participation in the PPP and the PPPLF on IDIs.<sup>16</sup> The proposed changes would remove the effect of participation in the PPP and PPPLF on various risk measures used to calculate an IDI's assessment rate, remove the effect of participation in the PPPLF program on certain adjustments to an IDI's assessment rate, provide an offset to an IDI's assessment for the increase to its assessment base attributable to participation in the PPPLF, and remove the effect of participation in the PPPLF program when classifying IDIs as small, large, or highly complex for assessment purposes.

On June 26, 2020, the FDIC published a final rule modifying its deposit insurance assessments rule to mitigate the effects of participation in the PPP and the PPPLF on IDIs.<sup>17</sup> After the FDIC considered the comments on the proposed rule, the final rule provides an offset to an IDI's assessment amount for the increase to its assessment base attributable to participation in the PPP rather than to participation in the PPPLF as had been proposed.

Starting with the June 30, 2020, report date, institutions would report the outstanding balances of their PPP loans held for investment or held for sale in the appropriate loan category in Schedule RC-C, Part I, and, as applicable, in other Call Report schedules in which loan data are reported. The outstanding balance of such PPP loans pledged to the Board's liquidity facility would be included in Schedule RC-C, Part I, Memorandum item 14, "Pledged loans and leases."

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<sup>14</sup> See <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200406a.htm> and <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200416a.htm>.

<sup>15</sup> 80 FR 20387 (April 13, 2020).

<sup>16</sup> 85 FR 30649 (May 20, 2020). The FDIC's proposed rule also would modify its deposit insurance assessment rules to mitigate the effects of participation in the MMLF on IDIs.

<sup>17</sup> 85 FR 38282 (June 26, 2020).

Any PPP loans held for trading would be reported by all institutions on the Call Report balance sheet in Schedule RC, item 5, with the fair value and amortized cost of such loans reported by loan category in Schedule RC-D, Trading Assets and Liabilities, by institutions required to complete this schedule on the FFIEC 031 and the FFIEC 041. The outstanding balance of PPP loans held for trading that are pledged to the Board's liquidity facility would be included in Schedule RC-D, Memorandum item 4.b, "Pledged loans," on the FFIEC 031.

For regulatory capital reporting purposes, the balance sheet amounts of PPP loans should be reported in both Column A (Totals From Schedule RC) and Column C (0% risk-weight category) of the corresponding balance sheet asset categories of Schedule RC-R, Part II, (i.e., in items 4, 5, and 7, as appropriate).<sup>18</sup> The quarterly average amount of PPP loans pledged to the Board's liquidity facility would be included as a deduction 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, Part I, item 30, "Total assets for the leverage ratio."

Borrowings from Federal Reserve Banks under the PPPLF would be included in Schedule RC, item 16, "Other borrowed money;" the appropriate subitems of Schedule RC-M, item 5.b, "Other borrowings," based on their remaining maturity; and Schedule RC-M, item 10.b, "Amount of 'Other borrowings' that are secured."

In addition, to implement the modifications to its deposit insurance assessment rules, the FDIC would remove the quarter-end balance sheet amount of PPP loans from an IDI's total assets and average total consolidated assets in certain risk measures and adjustments used to calculate the IDI's assessment rate. Furthermore, the FDIC would remove PPP loans from an IDI's loan portfolio in measures used to calculate its assessment rate.

Since PPP loans, regardless of whether they are pledged to the liquidity facility, receive a zero percent risk weight, the reporting treatment described above for PPP loans effectively means that these loans are not included in the standardized total risk-weighted assets reported in Schedule RC-R. Similarly, advanced approaches banking organizations would not reflect PPP loans in "total risk-weighted assets" reported in Schedule RC-R, Part I, item 48.b.

Institutions subject to the supplementary leverage ratio requirement would report their adjusted "Total leverage exposure" and "Supplementary leverage ratio" in Schedule RC-R, Part I, items 55.a and 55.b, respectively. These institutions would adjust their existing calculations of "Total leverage exposure" by excluding PPP loans pledged to the Board's liquidity facility. The instructions for item 55.a would be revised to state that institutions should measure their total leverage exposure in accordance with section 10(c)(4) of the regulatory capital rules and section 305 of these rules for exposures related to the Board's liquidity facility.

In addition, in connection with their missions to supervise institutions, the agencies need to understand the number and total balance of PPP loans, as well as the amount and quarterly average of PPP loans pledged under the Board's liquidity facility. Therefore, the agencies requested and received emergency approvals from OMB to add four new data items to the Call

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<sup>18</sup> Reporting in Schedule RC-R, Part II, applies only to institutions that do not have a community bank leverage ratio framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a.

Report to collect this information.

Accordingly, starting with the June 30, 2020, report date, institutions will begin to report the total number of PPP loans outstanding; the total outstanding balance of PPP loans; the total outstanding balance of PPP loans pledged to the Board's liquidity facility; and the quarterly average amount of PPP loans pledged to the Board's liquidity facility and excluded from average total assets in the calculation of the leverage ratio in Schedule RC-R, Part I. These items have been added to Schedule RC-M as items 17.a, 17.b, 17.c, and 17.e.

In addition, in connection with the FDIC's final rule to mitigate the deposit insurance assessment effects of participation in the PPP and the PPPLF on IDIs, the FDIC needs to collect information on outstanding borrowings under the PPPLF. Starting with the June 30, 2020, reporting period, the outstanding balance of borrowings from Federal Reserve Banks under the PPPLF with a remaining maturity of one year or less and the outstanding balance of borrowings from the Federal Reserve Banks under the PPPLF with a remaining maturity of more than one year would be reported in new items 17.d.(1) and 17.d.(2) of Schedule RC-M, respectively.

The collection of the six data items related to PPP loans and the PPPLF is expected to be time-limited. The agencies plan to propose to discontinue the collection of each item once the aggregate industry activity has diminished to a point where individual institution information is of limited practical utility and is no longer needed for assessment purposes, where applicable.<sup>19</sup>

#### *Board Regulation D Amendments*

The Board published in the *Federal Register* on April 28, 2020, an interim final rule that amends the Board's Regulation D.<sup>20</sup> The interim final rule amends the "savings deposit" definition in Regulation D by deleting the six-transfer-limit provisions in this definition that require depository institutions either to prevent transfers and withdrawals in excess of the limit or to monitor savings deposits ex post for violations of the limit. The interim final rule also makes conforming changes to other definitions in Regulation D that refer to "savings deposit" as necessary.

The interim final rule permits, but does not require, depository institutions to immediately suspend enforcement of the six-transfer limit and allow their customers to make an unlimited number of convenient transfers and withdrawals from their savings deposits. The interim final rule also does not require any changes to the deposit reporting practices of depository institutions.

To implement the interim final rule, the agencies temporarily revised the instructions to the Call Reports via emergency approvals from OMB to reflect the revised definition of "savings deposits" in Regulation D, beginning with reports for the June 30, 2020, report date. Specifically, the agencies published supplemental instructions to the Call Reports<sup>21</sup> which include temporary

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<sup>19</sup> These new items will be reviewed in connection with the statutorily mandated review of the Call Report.

<sup>20</sup> 85 FR 23445 (April 28, 2020).

<sup>21</sup> 2Q2020 COVID-19 Related Supplemental Instructions (Call Report), [https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_FFIEC051\\_suppinst\\_COVID\\_202006.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_FFIEC051_suppinst_COVID_202006.pdf).

revisions to the General Instructions for Call Report Schedule RC-E, as well as the Glossary entries for “Deposits” in the Call Report instructions, to remove references to the six-transfer limit. In addition, the supplemental instructions temporarily revised the General Instructions for Call Report Schedule RC-E to state that if a depository institution chooses to suspend enforcement of the six-transfer limit on a “savings deposit,” the depository institution may continue to report that account as a “savings deposit” or may instead choose to report that account as a “transaction account” based on an assessment of certain characteristics of the account.

The agencies are revising the instructions to the Call Reports to reflect the revised definition of “savings deposits” in accordance with the amendments to Regulation D in the interim final rule, starting with the June 30, 2020, report date. Specifically, the agencies are revising the General Instructions for Call Report Schedule RC-E, as well as the Glossary entries for “Deposits” in the Call Report instructions, to remove references to the six-transfer limit from descriptions of “savings deposits.”

In the interim final rule, the Board amended the “savings deposit” definition in Regulation D to allow customers to be able to access savings deposits more easily. However, the agencies recognize that the corresponding temporary revisions to the instructions for the Call Reports created a reporting option that could result in the collection of ambiguous data by allowing a depository institution to report a savings deposit as either a “savings deposit” or a “transaction account” if the institution suspends enforcement of the six-transfer limit. To resolve this potential issue, the agencies propose to remove the reporting option and require instead that a depository institution report each account as a “savings deposit” or a “transaction account” based on the institution’s assessment of account characteristics. Specifically, the agencies propose to revise the General Instructions for Call Report Schedule RC-E, effective for reporting beginning in the first quarter of 2021, to state that where the reporting institution has suspended the enforcement of the six-transfer limit rule on an account that otherwise meets the definition of a savings deposit, the institution must report such deposits as a “savings deposit” (and as a “nontransaction account”) or a “transaction account” based on an assessment of the following characteristics:

- (1) If the reporting institution does not retain the reservation of right to require at least seven days’ written notice before an intended withdrawal, the account must be reported as a demand deposit (and as a “transaction account”).
- (2) If the reporting institution retains the reservation of right to require at least seven days’ written notice before an intended withdrawal and the depositor is eligible to hold a NOW account, the account must be reported as an ATS account, NOW account, or a telephone and preauthorized transfer account (and as a “transaction account”).
- (3) If the reporting institution retains the reservation of right to require at least seven days’ written notice before an intended withdrawal and the depositor is ineligible to hold a NOW account, the account must be reported as a savings deposit (and as a “nontransaction account”).

The agencies anticipate that there will be no measurable increase in burden associated

with these proposed revisions. The agencies may consider further modifying the treatment of “savings deposits” and “transaction accounts” in the instructions for the Call Report after a review of the reported data. Any such changes would be proposed by the agencies through a separate *Federal Register* notice pursuant to the Paperwork Reduction Act (PRA).

#### *Loans to Executive Officers, Directors, and Principal Shareholders*

Under section 22(h) of the Federal Reserve Act and the Board’s Regulation O, extensions of credit to insiders<sup>22</sup> are subject to quantitative limits, prior approval requirements by an institution’s board, and qualitative requirements concerning loan terms.<sup>23</sup> On April 22, 2020, the Board issued an interim final rule that excepts certain loans that are guaranteed under the SBA’s PPP from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of the Board’s Regulation O.<sup>24</sup> The interim final rule states that the Board has determined that PPP loans pose minimal risk because the SBA guarantees PPP loans at 100 percent of principal and interest and that PPP loans have fixed terms prescribed by the SBA. Accordingly, the interim final rule states that PPP loans will not be subject to section 22(h) or the corresponding provisions of Regulation O provided they are not prohibited by SBA lending restrictions.

The agencies currently collect data on the number and outstanding balance of all “extensions of credit” to the reporting institution’s executive officers, directors, principal shareholders, and their related interests that meet the definition of this term in Regulation O. This information is collected in Call Report Schedule RC-M, items 1.a and 1.b. Call Report instructions refer to Regulation O for guidance in reporting extensions of credit to insiders in these items. In response to the changes to Regulation O, the agencies have revised the Call Report instructions effective as of the June 30, 2020, report date to note the PPP loan exception that has been added to Regulation O and clarify that PPP loans should not be reported in items 1.a and 1.b of Schedule RC-M. PPP loans did not exist in the first quarter of 2020, so the current reporting on Call Report Schedule RC-M does not include these loans. Therefore, the agencies do not believe that revising the instructions for this exception would change burden, as institutions would not need to revise the existing amounts reported in Schedule RC-M, items 1.a and 1.b, in response to this change to Regulation O.

#### *Temporary Exclusions From the Supplementary Leverage Ratio*

On April 14, 2020, the Board published in the *Federal Register* an interim final rule to temporarily exclude U.S. Treasury Securities (Treasuries) and deposits in their accounts at Federal Reserve Banks (deposits at Federal Reserve Banks) from total leverage exposure for bank holding companies, savings and loan holding companies, and intermediate holding companies subject to the supplementary leverage ratio through March 31, 2021.<sup>25</sup>

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<sup>22</sup> “Insider means an executive officer, director, or principal shareholder, and includes any related interest of such a person.” 12 CFR 215.2(h).

<sup>23</sup> 12 CFR 215.4.

<sup>24</sup> 85 FR 22345 (April 22, 2020).

<sup>25</sup> 85 FR 20578 (April 14, 2020).

On June 1, 2020, the agencies published in the *Federal Register* an interim final rule (Depository Institution SLR IFR) to provide depository institutions subject to the supplementary leverage ratio the ability to temporarily exclude Treasuries and deposits at Federal Reserve Banks from total leverage exposure.<sup>26</sup> An electing depository institution must notify its primary Federal banking regulator of its election within 30 days after the interim final rule is effective. The interim final rule will terminate after March 31, 2021.

Depository institutions subject to the supplementary leverage ratio report Treasuries not held for trading in Schedule RC-B, item 1, “U.S. Treasury securities,” and those held for trading in Schedule RC, item 5, “Trading assets” (and, if applicable, in Schedule RC-D, item 1, “U.S. Treasury securities”). Such depository institutions report deposits at Federal Reserve Banks in Schedule RC-A, item 4, “Balances due from Federal Reserve Banks.”

Starting as of the June 30, 2020, report date, advanced approaches and Category III depository institutions that elect to opt into these temporary exclusions would exclude Treasuries and deposits at Federal Reserve Banks reported in the items identified above from Schedule RC-R, Part I, item 55.a, “Total leverage exposure.” Custodial banking organizations will also be able to deduct from total leverage exposure deposits with qualifying foreign central banks reported as part of Schedule RC-A, item 3, “Balances due from banks in foreign countries and foreign central banks,” subject to the limits in the Section 402 rule,<sup>27</sup> in addition to the deductions under this interim final rule. For purposes of reporting the supplementary leverage ratio as of June 30, 2020, electing depository institutions may reflect the exclusion of Treasuries and deposits at Federal Reserve Banks from total leverage exposure as if this interim final rule had been in effect for the entire second quarter of 2020. The instructions for item 55.a would be revised to state that institutions should measure their total leverage exposure in accordance with section 10(c)(4) of the regulatory capital rules and, for electing advanced approaches and Category III depository institutions, the applicable section of these rules for Treasuries and deposits at Federal Reserve Banks (section 303 for institutions supervised by the Board; section 304 for institutions supervised by the OCC or the FDIC). The temporary exclusions from total leverage exposure are available through the March 31, 2021, report date.

### **Revisions Related to Section 4013 of the CARES Act**

As provided for under the CARES Act, a financial institution may account for an eligible loan modification either under Section 4013 or in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. If a loan modification is not eligible under Section 4013, or if the institution elects not to account for the loan modification under Section 4013, the financial institution should evaluate whether the modified loan is a troubled debt restructuring (TDR) under ASC Subtopic 310-40.

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<sup>26</sup> 85 FR 32980 (June 1, 2020).

<sup>27</sup> The agencies recently issued a final rule, effective April 1, 2020, which implements section 402 of the Economic Growth, Regulatory Relief, and Consumer Protection Act by amending the capital rule to allow a banking organization that qualifies as a custodial banking organization to exclude from total leverage exposure deposits at qualifying central banks, subject to limits (Section 402 rule). 85 FR 4569 (January 27, 2020).

To be an eligible loan under Section 4013 (Section 4013 loan), a loan modification must be (1) related to COVID-19, (2) executed on a loan that was not more than 30 days past due as of December 31, 2019, and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020.

Financial institutions accounting for eligible loans under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification. Financial institutions do not have to report Section 4013 loans as TDRs in regulatory reports.

Consistent with Section 4013, the agencies requested and received emergency approvals from OMB to add two new data items for Section 4013 loans to the Call Report, which would be collected quarterly beginning with the June 30, 2020, report date, with the collection of these items expected to be time-limited. These new items, Memorandum item 17.a, “Number of Section 4013 loans outstanding,” and Memorandum item 17.b, “Outstanding balance of Section 4013 loans,” would be added to Call Report Schedule RC-C, Part I, Loans and Leases. These items would enable the agencies to monitor individual institutions’ and the industry’s use of the temporary relief provided by Section 4013 as well as the volume of loans modified in accordance with Section 4013. The agencies plan to propose to discontinue the collection of these specific items once the aggregate industry activity has diminished to a point where individual institution information is of limited practical utility.<sup>28</sup>

The agencies will collect institution-level and branch-and-agency-level Section 4013 loan information in the Call Report on a confidential basis. While the agencies generally make institution-level Call Report data publicly available, the agencies are collecting Section 4013 loan information as part of condition reports for the impacted entities and the agencies believe disclosure of these items at the institution level would not be in the public interest.<sup>29</sup> Such information is permitted to be collected on a confidential basis, consistent with 5 U.S.C. § 552(b)(8).<sup>30</sup>

The public disclosure of supervisory information on Section 4013 loans could have a detrimental impact on financial institutions offering modifications under this provision to borrowers that need relief due to COVID-19. Financial institutions may be reluctant to offer modifications under Section 4013 if information on these modifications made by each institution is publicly available, as analysts, investors, and other users of public Call Report information may penalize an institution for using the relief provided by the CARES Act. The agencies have encouraged financial institutions to work with their borrowers during the National Emergency related to COVID-19, including use of the relief under Section 4013.<sup>31</sup>

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<sup>28</sup> These new Call Report items will be reviewed in connection with the statutorily mandated review of the Call Report.

<sup>29</sup> 12 U.S.C. § 1464(v)(2).

<sup>30</sup> Exemption 8 of the Freedom of Information Act (FOIA) specifically exempts from disclosure information “contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.”

<sup>31</sup> See “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)” (April 7, 2020), available at <https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-50a.pdf>.

The agencies may disclose Section 4013 loan data on an aggregated basis, consistent with confidentiality.

## **Revisions Related to U.S. GAAP**

### *Provisions for Credit Losses on Off-Balance-Sheet Credit Exposures*

On June 16, 2016, the FASB issued Accounting Standards Update No. 2016-13, Topic 326, Financial Instruments—Credit Losses (ASU 2016-13). Within Topic 326, paragraph 326-20-30-11 states, “An entity shall report in net income (as a credit loss expense) the amount necessary to adjust the liability for credit losses for management’s current estimate of expected credit losses on off-balance-sheet credit exposures.” Off-balance-sheet credit exposures include unfunded loan commitments, financial standby letters of credit, and financial guarantees not accounted for as insurance, and other similar instruments except for those within the scope of ASC Topic 815 on derivatives and hedging.

Throughout Topic 326, the FASB refers to provisions for credit losses as “credit loss expense.” For example, paragraph 326-20-30-1 states, “An entity shall report in net income (as a credit loss expense) the amount necessary to adjust the allowance for credit losses for management’s current estimate of expected credit losses on financial assets(s).” Thus, Topic 326 does not prohibit recording the adjustment to the liability for expected credit losses on off-balance-sheet credit exposures within the provisions for credit losses reported in the income statement.

The Call Report income statement instructions currently direct institutions that have adopted Topic 326 to report provisions for expected credit losses on off-balance-sheet credit exposures in Schedule RI, item 7.d, “Other noninterest expense,” and prohibit its inclusion in Schedule RI, item 4, “Provision for loan and lease losses.”<sup>32</sup> Therefore, to align regulatory reporting to the guidance within Topic 326, the agencies propose to change the Call Report instructions to direct institutions that have adopted Topic 326 to report provisions for expected credit losses on off-balance-sheet credit exposures as part of the total amount of institutions’ provisions for credit losses in Schedule RI, item 4.<sup>33</sup> This Schedule RI instructional change would carry over to Schedule RI-D, Income from Foreign Offices, on the FFIEC 031.<sup>34</sup> These instructional changes would apply only to institutions that have adopted Topic 326.

The inclusion of provisions for expected credit losses on off-balance-sheet credit exposures in the provisions for credit losses presented in item 4 of the Call Report income statement will cause a loss of transparency within the overall reported amount of provisions for credit losses between provisions attributable to on- and off-balance-sheet credit exposures. To enhance transparency and differentiate these provisions, the agencies propose adding a new

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<sup>32</sup> A footnote to Schedule RI, item 4, on the Call Report forms currently states, “Institutions that have adopted ASU 2016-13 should report in item 4 the provisions for credit losses on all financial assets that fall within the scope of the standard.”

<sup>33</sup> The existing footnote to Schedule RI, item 4, also would be revised in the same manner.

<sup>34</sup> The existing footnote to Schedule RI-D, item 3, would be revised in the same manner as the footnote to Schedule RI, item 4.



Memorandum item 7, “Provisions for credit losses on off-balance-sheet credit exposures,” to Schedule RI-B, Part II, Changes in Allowances for Credit Losses, which will identify the portion of the overall amount of the provisions for credit losses reported in Schedule RI, item 4, attributable to the provisions for expected credit losses on off-balance-sheet credit exposures. Adding the new memorandum item to Schedule RI-B, Part II, will enable the agencies to monitor the underlying components of the total amount of an institution’s provisions for credit losses (i.e., the separate provisions for expected credit losses attributable to loans and leases held for investment, held-to-maturity debt securities, AFS debt securities, other financial assets measured at amortized cost, and off-balance-sheet credit exposures) and how these components change over time in relation to the amounts of the various categories of financial assets and off-balance-sheet credit exposures within the scope of ASC Topic 326.

In addition, footnote 5 on Schedule RI-B, Part II, item 5, “Provisions for credit losses,” will be updated to reflect “For institutions that have adopted ASU 2016-13, the sum of item 5, Column A through Column C, plus Schedule RI-B, Part II, Memorandum items 5 and 7, below, must equal Schedule RI, item 4.”

*Expected Recoveries of Amounts Previously Charged Off Included within the Allowances for Credit Losses*

As noted above, the FASB issued ASU 2016-13 on June 16, 2016, which has been amended by subsequent FASB ASUs. Within Topic 326, paragraph 326-20-30-1 states, “The allowance for credit losses is a valuation account that is deducted from, or added to, the amortized cost basis of the financial asset(s) to present the net amount expected to be collected on the financial asset. Expected recoveries of amounts previously written off and expected to be written off shall be included in the valuation account and shall not exceed the aggregate of amounts previously written off and expected to be written off by an entity.” The terms “written off” as used in Topic 326 and “charged off” as used in Call Report instructions are used interchangeably in this discussion.

Under GAAP before an institution’s adoption of Topic 326, expected recoveries of amounts previously written off would not be included in the measurement of the allowance for loan and lease losses; recoveries would be recorded only when received. Under Topic 326, including expected recoveries of amounts previously written off within allowances for credit losses reduces the overall amount of these allowances. Amounts related to an individual asset are written off or charged off when deemed uncollectible. However, under ASC Topic 326, institutions could, in some circumstances, reduce the amount of the allowance for credit losses that would otherwise be calculated for a pool of assets with similar risk characteristics that includes charged-off assets on the same day the charge-offs were taken by the estimated amount of expected recoveries of amounts written off on these assets. Reducing the allowance for credit losses by amounts of expected recoveries prior to collection effectively “reverses” a charge-off. Therefore, to provide transparency for amounts with inherently higher risk that, before an institution’s adoption of ASC Topic 326, were not allowed to be recorded until they were received, the agencies propose to add new Memorandum item 8 to Schedule RI-B, Part II, Changes in Allowances for Credit Losses, to capture the “Estimated amount of expected recoveries of amounts previously written off included within the allowance for credit losses on

loans and leases held for investment (included in item 7, column A, ‘Balance end of current period,’ above).” This new item would be applicable to institutions only after they have adopted Topic 326.

Not including the proposed memorandum item for expected recoveries of amounts previously written off within the allowance for credit losses on loans and leases will cause a loss of transparency within the reported amount of this allowance between the portions of the allowance attributable to (1) expected credit losses on the amortized cost basis of loans and leases held for investment net of expected recoveries of amounts expected to be charged off in the future and (2) expected recoveries of loan and lease amounts previously charged off. Proposed new Memorandum item 8 will enhance transparency and differentiate these amounts within the period-end balance of the allowance for credit losses on loans and leases by separately identifying the estimated amount within this allowance attributable to expected recoveries of amounts previously written off. This proposed new memorandum item will enable the agencies, including their examiners, and other Call Report users to better understand key components underlying institutions’ allowance for credit losses on loans and leases (i.e., amounts for expected credit losses on the amortized cost basis of loans and leases held for investment and amounts for expected recoveries of amounts previously written off on such loans and leases) and how these components change over time. This information will assist the agencies and other users in monitoring amounts with inherently higher credit risk, and changes therein, that contribute to reductions in the overall amount of the allowance for credit losses on loans and leases. This proposed new memorandum item will apply to loans and leases held for investment because this is the Call Report category of financial assets that is expected to have the greatest amount of estimated expected recoveries of amounts previously written off.

#### *Nonaccrual Treatment of Purchased Credit-Deteriorated Assets*

ASU 2016-13 introduced the concept of purchased credit-deteriorated (PCD) assets. PCD assets are acquired financial assets that, at acquisition, have experienced more-than-insignificant deterioration in credit quality since origination. When recording the acquisition of PCD assets, the amount of expected credit losses as of the acquisition date is recorded as an allowance and added to the purchase price of the assets rather than recording these acquisition date expected credit losses through provisions for credit losses. The sum of the purchase price and the initial allowance for credit losses (ACL) establishes the amortized cost basis of the PCD assets at acquisition. Any difference between the unpaid principal balance of the PCD assets and the amortized cost basis of the assets as of the acquisition date is a noncredit discount or premium. The initial ACL and any noncredit discount or premium determined on a collective basis at the acquisition date are allocated to the individual PCD assets.

After acquisition, any noncredit discount or premium is accreted or amortized into interest income, as appropriate, over the remaining lives of the PCD assets on a level-yield basis. However, if a PCD asset is placed in nonaccrual status, institutions must cease accreting the noncredit discount or amortizing the noncredit premium into interest income consistent with the guidance in ASC paragraph 310-20-35-17.

The current instructions for Call Report Schedule RC-N, Past Due and Nonaccrual Loans,

Leases, and Other Assets, provide an exception to the general rule for placing financial assets in nonaccrual status set forth in the Call Report Glossary entry for “Nonaccrual status” for purchased credit-impaired (PCI) assets. Topic 326 replaces the concept of PCI assets in previous GAAP with the concept of PCD assets.<sup>35</sup> Although there is some similarity between the concepts of PCI and PCD assets, these two concepts are not identical. Nevertheless, ASU 2016-13 provides that, upon adoption of Topic 326, all PCI assets will be deemed to be, and accounted for prospectively as, PCD assets. However, the Schedule RC-N instructions indicate that the nonaccrual exception for PCI assets was not extended to PCD assets by stating that “For purchased credit-deteriorated loans, debt securities, and other financial assets that fall within the scope of ASU 2016-13, nonaccrual status should be determined and subsequent nonaccrual treatment, if appropriate, should be applied in the same manner as for other financial assets held by an institution.”

As described in the Call Report Supplemental Instructions for March 2020, if an institution has adopted ASU 2016-13 and has a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI assets, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for “Nonaccrual status”), the institution may elect to continue accruing interest income and not report the PCD asset as being in nonaccrual status if the following criteria are met:

- (1) The institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
- (2) the institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

Additionally, these Call Report Supplemental Instructions state that when a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the institution’s net income is not materially overstated. Further, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of a PCD asset that is attributable to the acquirer’s assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). Interest income should no longer be recognized on a PCD asset to the extent that the net investment in the asset would increase to an amount greater than the payoff amount. If an institution is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis in Call Report Schedule RC-N, column C.

For PCD assets for which the institution has made a policy election to maintain a previously existing pool of PCI assets as a unit of account for accounting purposes upon adoption of ASU 2016-13, the determination of nonaccrual or accrual status should be made at the pool level, not at the individual asset level.

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<sup>35</sup> According to ASC paragraph 310-30-15-2, PCI assets, in general, are loans and debt securities with evidence of deterioration of credit quality since origination acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable.

For a PCD asset that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset as past due in Schedule RC-N, column A or B, as appropriate. If the PCD asset that is not reported in nonaccrual status consists of a pool of loans that were previously PCI assets that is being maintained as a unit of account after the adoption of ASU 2016-13, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms.

The agencies are proposing to update the Call Report instructions to revise the nonaccrual treatment for PCD assets to provide institutions the option to not report PCD assets in nonaccrual status if they meet the criteria described above. The instructions also would incorporate the other reporting guidance for PCD assets in the Call Report Supplemental Instructions for March 2020 described above.

### *Last-of-Layer Hedging*

In ASU No. 2017-12, Derivatives and Hedging (Topic 815)-Targeted Improvements to Accounting for Hedging Activities, the FASB added the last-of-layer method to its hedge accounting standards to lessen the difficulties institutions encountered under existing accounting rules when seeking to enter into a fair value hedge of the interest rate risk of a closed portfolio of prepayable financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments. Typically, prepayable financial assets would be loans and AFS debt securities.<sup>36</sup> Under ASU 2017-12, there are no limitations on the types of qualifying assets that could be grouped together in a last-of-layer hedge other than meeting the following two criteria: (1) They must be prepayable financial assets that have a contractual maturity date beyond the period being hedged and (2) they must be eligible for fair value hedge accounting of interest rate risk (for example, fixed-rate instruments). For example, fixed-rate residential mortgages, auto loans, and collateralized mortgage obligations could all be grouped and hedged together in a single last-of-layer closed portfolio. For a last-of-layer hedge, ASC paragraph 815-10-50-5B states that an institution may need to allocate the related fair value hedge basis adjustment (FVHBA) "to meet the objectives of disclosure requirements in other Topics." This ASC paragraph then explains that the institution "may allocate the basis adjustment on an individual asset basis or on a portfolio basis using a systematic and rational method." Due to the aggregation of assets in a last-of-layer closed portfolio, institutions may find it challenging to allocate the related FVHBA to the individual loan or AFS debt security level when necessary for financial reporting purposes.

In March 2018, the FASB added a project to its agenda to expand last-of-layer hedging to multiple layers, thereby providing more flexibility to entities when applying hedge accounting to a closed portfolio of prepayable assets. In connection with this project, the FASB anticipated that there would be diversity in practice if entities were required to allocate portfolio-level, last-of-layer FVHBAs to more granular levels, which in turn could potentially hamper data quality and comparability. In addition, the allocation would increase operational burden on institutions with little, if any, added value to risk management or to users of the financial statements. As such, for financial reporting purposes, the FASB Board has tentatively decided that it would require these

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<sup>36</sup> Prepayable held-to-maturity debt securities do not qualify for last-of-layer hedging.

FVHBAs to be presented as a reconciling item, i.e., in the aggregate for loans and AFS debt securities, in disclosures required by other areas of GAAP.<sup>37</sup>

For regulatory reporting purposes, the agencies are proposing similar treatment for last-of-layer FVHBAs on Call Report Schedule RC-C, Part I, Loans and Leases, and Schedule RC-B, Securities. As such, following the FASB’s adoption of a final last-of-layer hedge accounting standard, the instructions for Schedule RC-C, Part I, item 11, “LESS: Any unearned income on loans reflected in items 1-9 above,” would be revised to explicitly state that last-of-layer FVHBAs associated with the loans reported in Schedule RC-C, Part I, should be included in this item.

In addition, the agencies are proposing on Schedule RC-B, Securities, to rename existing item 7, “Investments in mutual funds and other equity securities with readily determinable fair values,” as “Unallocated last-of-layer fair value hedge basis adjustments.” Institutions would report amounts for last-of-layer FVHBAs on AFS debt securities only in item 7, column C, “Available-for-sale: Amortized Cost.” To note, only a small number of institutions that have not yet adopted ASU 2016-01, which includes provisions governing the accounting for investments in equity securities, continue to report amounts in item 7. Because all institutions are required to adopt ASU 2016-01 for Call Report purposes by the December 31, 2020, report date, the agencies had previously determined that existing item 7 in Schedule RC-B would no longer be applicable to institutions for reporting purposes and could be removed as of that report date.<sup>38</sup> Thus, the need for a new item in Schedule RC-B for reporting unallocated FVHBAs applicable to AFS debt securities following the FASB’s adoption of a final last-of-layer hedge accounting standard can be readily accommodated through the redesignation of existing item 7, column C, for this purpose.

### **Revisions Related to International Remittance Transfers**

Section 1073 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)<sup>39</sup> amended the Electronic Fund Transfer Act (EFTA)<sup>40</sup> to create comprehensive consumer protections for remittance transfers sent by consumers in the United States to individuals and businesses in foreign countries. The Bureau implemented these EFTA amendments through the Remittance Rule (12 CFR 1005.30 et seq.). EFTA and the Remittance Rule include a requirement that remittance transfer providers generally must disclose (both prior to and at the time the consumer pays for the transfer) the exact exchange rate that applies to a remittance transfer and the amount to be received by the designated recipient of the transfer. The Remittance Rule also requires remittance transfer providers to disclose certain fees and other information, among several other requirements.

A person that provides remittance transfers in the normal course of its business is a

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<sup>37</sup> The tentative decision was made at the FASB Board meeting on October 16, 2019. The Board meeting minutes are available at [https://www.fasb.org/jsp/FASB/Document\\_C/DocumentPage&cid=1176173617941](https://www.fasb.org/jsp/FASB/Document_C/DocumentPage&cid=1176173617941). Currently, no exposure draft or ASU associated with this project has been issued.

<sup>38</sup> 83 FR 945-946 (January 8, 2018).

<sup>39</sup> 12 U.S.C. § 5601.

<sup>40</sup> 15 U.S.C. § 1693 et seq.

remittance transfer provider subject to the Remittance Rule’s requirements. Generally, whether a person provides remittance transfers in the normal course of its business depends on the facts and circumstances, such as the number and frequency of the remittance transfers the person provides. However, the Remittance Rule as originally adopted contained a safe harbor whereby a person that provided 100 or fewer remittance transfers in each of the previous and current calendar years was deemed not to be providing remittance transfers in the normal course of its business, and therefore was outside of the Remittance Rule’s coverage.

The EFTA and the Remittance Rule also contain exceptions that permit some remittance transfer providers to estimate certain information in the required disclosures in certain circumstances. Of relevance to the current Call Reports, as discussed in greater detail below, there is a “temporary exception” that permits certain insured institutions<sup>41</sup> to estimate certain fees and the exchange rate (and information that depends on the fees and exchange rate) in their disclosures if certain conditions are met. Importantly, EFTA section 919 expressly limits the length of the temporary exception to July 21, 2020. As a result, the temporary exception will expire on July 21, 2020.

In 2014, item 16 was added to Schedule RC-M of the FFIEC 031 and FFIEC 041 Call Reports, citing section 1073 of the Dodd-Frank Act and the Remittance Rule.<sup>42</sup> In supporting the inclusion of this new item in the Call Reports, the agencies “stated that the new item regarding remittance transfers could facilitate monitoring of market entry and exit, which would improve understanding of the consumer payments landscape generally, and facilitate evaluation of the remittance transfer rule’s impact. . .[as well as] enable the FFIEC and the agencies to refine supervisory procedures and policies. . .[and] help inform any later policy decisions regarding remittance transfers and activities regarding remittance transfers that are mandated by section 1073 of the Dodd-Frank Act.”

In 2018, the Bureau published its report of its Dodd-Frank-mandated assessment of the Remittance Rule (Assessment Report).<sup>43</sup> Based on information surfaced by the Bureau’s assessment as well as a subsequent Request for Information,<sup>44</sup> the Bureau proposed amendments to the Remittance Rule in 2019 (Remittance Proposal or Proposal).<sup>45</sup> The Remittance Proposal included a proposed effective date of July 21, 2020. On June 5, 2020, the Bureau published a Final Rule amending the Remittance Rule.<sup>46</sup>

Currently, Schedule RC-M, Memoranda, item 16, “International remittance transfers offered to consumers,” and its instructions are identical across the FFIEC 031, FFIEC 041, and FFIEC 051 Call Report forms. The item consists of four questions, two of which are further subdivided into four and three questions, for a total of nine different data points requested of

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<sup>41</sup> The term “insured institution” refers to “an insured depository institution, as defined in section 1813 of title 12, or an insured credit union, as defined in section 1752 of title 12.” 15 U.S.C. § 1693o-1(a)(4)(A).

<sup>42</sup> 79 FR 2509 (February 14, 2014). Item 16 was later incorporated into the FFIEC 051 Call Report when that report was created.

<sup>43</sup> Bureau, Remittance Rule Assessment Report (October 2018, rev. April 2019),

[https://files.consumerfinance.gov/f/documents/bcftp\\_remittance-rule-assessment\\_report\\_corrected\\_2019-03.pdf](https://files.consumerfinance.gov/f/documents/bcftp_remittance-rule-assessment_report_corrected_2019-03.pdf).

<sup>44</sup> 84 FR 17971 (April 29, 2019).

<sup>45</sup> 84 FR 67132 (December 6, 2019).

<sup>46</sup> 85 FR 34870 (June 5, 2020).

respondents that meet certain criteria outlined in the current Call Report instructions.

Through the Remittance Proposal process, the Bureau identified certain proposed changes to the information collected in Schedule RC-M, item 16. These changes would better align item 16 with the Remittance Rule as amended, as well as streamline reporting for respondents and reduce burden where appropriate. The agencies propose that revised item 16 would consist of two questions, one of which would be further subdivided into three questions, for a total of four different data points. Item 16.a would be renamed “Estimated number of international remittance transfers provided by your institution during the calendar year ending on the report date.” This data item would be proposed to be collected annually in the December Call Report only. Item 16.b.(1) through 16.b.(3) would be completed only by institutions that reported 501 or more international remittance transfers in Schedule RC-M, item 16.a, in either the current report or the report for the previous calendar year-end report date.<sup>47</sup> The revised items 16.b.(1) through (3) would request data on the estimated dollar value of remittance transfers provided by an institution during the calendar year ending on the report date and its usage during this same period of the permanent exceptions for insured institutions as incorporated into the Remittance Rule by the Bureau’s 2020 Final Rule. Specifically, an institution would report the following information in revised items 16.b.(1) through (3), if applicable:

- (1) Estimated dollar value of international remittance transfers,
- (2) Estimated number of international remittance transfers for which your institution applied the permanent exchange rate exception, and
- (3) Estimated number of international remittance transfers for which your institution applied the permanent covered third-party fee exception.

Consistent with the current instructions for reporting estimated numbers and dollar values for international remittance transfers in Schedule RC-M, item 16, the estimates reported in revised items 16.a and 16.b.(1) through (3) should be based on a reasonable and supportable methodology and the estimated dollar value of international remittance transfers, if required to be reported in item 16.b.(1), is not required to be estimated in thousands of dollars.

### **Total Loss Absorbing Capacity Investments Rule**

On April 8, 2019, the agencies published a notice of proposed rulemaking that would address an advanced approaches banking organization’s regulatory capital treatment of an investment in unsecured debt instruments issued by foreign or U.S. global systemically important banks (GSIBs) for the purposes of meeting minimum TLAC and, where applicable, long-term debt (LTD) requirements, or liabilities issued by GSIBs that are *pari passu* or subordinated to such debt instruments (TLAC Investments NPR).<sup>48</sup> Under the TLAC Investments NPR,

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<sup>47</sup> For the transitional December 2021 Call Report only, an institution would complete Schedule RC-M, items 16.b.(1) through 16.b.(3), only if it reports 501 or more international remittance transfers in Schedule RC-M, item 16.a, in the December 2021 Call Report or it reported a combined total of 501 or more international remittance transfers in Schedule RC-M, item 16.d.(1), in the June and December 2020 Call Reports.

<sup>48</sup> 84 FR 13814 (April 8, 2019).

investments by an advanced approaches banking organization in certain unsecured debt instruments generally would be subject to deduction from the advanced approaches banking organization's regulatory capital if such investments exceed certain thresholds. The Board also proposed to require that banking organizations subject to minimum TLAC and LTD requirements under Board regulations publicly disclose their TLAC and LTD issuances in a manner described in the TLAC Investments NPR.

The agencies are proposing changes to Call Report Schedule RC-R, Part I, Regulatory Capital Components and Ratios to implement the changes proposed to the agencies' capital rule. If modifications are made to the proposed TLAC investments rule when it is adopted in final form, the agencies would modify the Call Report proposals to incorporate such changes.

Under the TLAC Investments NPR, advanced approaches banking organizations would report the total amount of deductions related to investments in own common equity tier 1 (CET1), additional tier 1, and tier 2 capital instruments; investments in own covered debt instruments, if applicable; reciprocal cross investments; non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that exceed certain thresholds; certain investments in excluded covered debt instruments, as applicable; and significant investments in the capital and covered debt instruments of unconsolidated financial institutions. Any deductions related to covered debt instruments and excluded covered debt instruments (together, TLAC debt investments) would be applied at the level of tier 2 capital under the agencies' existing regulatory capital rule. Any required deduction would be made using the "corresponding deduction approach," by which an advanced approaches banking organization would deduct TLAC debt investments first from tier 2 capital and, if it had insufficient tier 2 capital to make the full requisite deduction, deduct the remaining amount from additional tier 1 capital and then, if necessary, from CET1 capital.

In order to implement these proposed changes, the agencies propose to make a number of revisions to the instructions for Schedule RC-R, Part I, that would be applicable to advanced approaches banking organizations and would be included in the FFIEC 031-FFIEC 041 instruction book. Specifically, the agencies propose to revise the instructions for items 11, 17, 24, and 33 (proposed to be renumbered as item 45) to effectuate the deductions from regulatory capital for advanced approaches banking organizations related to investments in covered debt instruments and excluded covered debt instruments. These changes would generally align with the Board's proposed amendments to the Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128), Schedule HC-R, Part I, issued in conjunction with the TLAC Investments NPR.<sup>49</sup>

The agencies also are proposing to revise the instructions for Schedule RC-R, Part II, that would be applicable to advanced approaches banking organizations and would be included in the FFIEC 031-FFIEC 041 instruction book. Specifically, the agencies propose to revise the instructions for items 2.a, 2.b, 7, and 8 to incorporate investments in covered debt instruments and excluded debt instruments, as applicable, by advanced approaches banking organizations in their calculation of risk-weighted assets. These changes would generally align with the Board's proposed amendments to FR Y-9C, Schedule HC-R, Part II, issued in conjunction with the

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<sup>49</sup> See 84 FR 13823-13824 (April 8, 2019).



TLAC Investments NPR.

### **Time Schedule for Information Collection**

The Call Reports are collected quarterly as of the end of the last calendar day of March, June, September, and December, although certain information is collected on a semiannual or annual basis, as described in the Call Report instructions. Less frequent collection of Call Reports would reduce the Federal Reserve's ability to identify on a timely basis those banks that are experiencing adverse changes in their condition so that appropriate corrective measures can be implemented to restore their safety and soundness. State member banks generally must submit the Call Reports to the appropriate Federal Reserve Bank within 30 calendar days following the as of date, except that banks with more than one foreign office must submit the call Reports within 35 calendar days following the as of date.

### **Public Availability of Data**

Aggregate data are published in the *Federal Reserve Bulletin* and the *Annual Statistical Digest*. Additionally, data are used in the *Uniform Bank Performance Report (UBPR)* and the *Annual Report of the FFIEC*. Individual respondent data, excluding confidential information, are available to the public from the National Technical Information Service in Springfield, Virginia, upon request approximately twelve weeks after the report date. Data are also available from the FFIEC Central Data Repository Public Data Distribution (CDR PDD) website (<https://cdr.ffiec.gov/public/>). Data for the current quarter are made available, shortly after a bank's submission, beginning the first calendar day after the report date. Updated or revised data may replace data already posted at any time thereafter.

### **Legal Status**

The Board is authorized to collect information on the Call Reports from state member banks pursuant to section 9 of the Federal Reserve Act, which requires state member banks to file reports of condition and of the payment of dividends with the Federal Reserve (12 U.S.C. § 324). The obligation for state member banks to respond is mandatory.

Most of the information provided on the Call Reports is made public. However, the following items are confidential: (1) the FDIC deposit insurance assessment information reported in response to item 2.g on schedule RI-E, (2) the prepaid deposit insurance assessments information reported in response to item 6.f on schedule RC-F, and (3) the information regarding other data for deposit insurance and FICO assessments reported in response to memorandum items 6-9, 14-15, and 18 on schedule RC-O. Board staff have determined that it is possible to reverse engineer an institution's Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity (CAMELS) rating based on the data reported under the FDIC deposit insurance assessment data item and the prepaid deposit insurance assessments data item. If this information were publicly available, it would be possible to determine the state member bank's CAMELS rating. Therefore, this information can be kept confidential under exemption 8 of the Freedom of Information Act (FOIA), which specifically exempts from disclosure information "contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use

of an agency responsible for the regulation or supervision of financial institutions” (5 U.S.C. § 552(b)(8)). Board staff have also advised that the release of this information and information regarding other data for deposit insurance and FICO assessments reported in response to memorandum items 6-9, 14-15, and 18 on schedule RC-O would likely cause substantial harm to the competitive position of the institution from whom the information was obtained if it was released. Therefore, this information can be kept confidential also under exemption 4 of FOIA, which exempts “trade secrets and commercial or financial information obtained from a person and privileged or confidential” (5 U.S.C. § 552(b)(4)). Additionally, items on Call Report, Schedule RC-C, Part I, for loans modified under Section 4013, Memorandum item 16.a, “Number of Section 4013 loans outstanding” and Memorandum item 16.b, “Outstanding balance of Section 4013 loans” are considered confidential. The Board is collecting Section 4013 loan information as part of condition reports for the impacted state member banks and the Board considers disclosure of these items at the bank level would not be in the public interest. Such information is permitted to be collected on a confidential basis, consistent with 5 U.S.C. § 552(b)(8). In addition, state member banks may be reluctant to offer modifications under Section 4013 if information on these modifications made by each state member bank is publicly available, as analysts, investors, and other users of public Call Report information may penalize an institution for using the relief provided by the CARES Act. The Board may disclose Section 4013 loan data on an aggregated basis, consistent with confidentiality or as otherwise required by law.

### **Consultation Outside the Agency**

The Board coordinated and consulted with the FDIC and OCC in developing these revisions.

### **Public Comments**

On July 22, 2020, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (85 FR 44361) requesting public comment for 60 days on the extension, with revision, of the Call Reports. The comment period for this notice expired on September 21, 2020. On October 4, 2019, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (84 FR 53227) requesting public comment for 60 days on the extension, with revision, of the Call Reports resulting from the proposed TLAC investments rule. The comment period for this notice expired on December 3, 2019. The agencies received 4 public comments on the proposed reporting changes covered in both notices from banking trade associations and a U.S. government agency.

### **Comments Received on July 2020 Proposed Call Report Revisions**

#### *Board Regulation D Amendments*

The agencies received one comment letter from a banking trade association that raised concerns with the proposed Call Report changes related to the Board’s interim final rule amending Regulation D that deletes the numeric limits on transfers and withdrawals that may be made each month from the definition of “savings deposits.” The commenter suggested aligning

the changes to the Call Report with the Board's proposed changes to the Report of Transaction Accounts, Other Deposits, and Vault Cash (FR 2900; OMB No. 7100-0087).<sup>50</sup> The commenter noted that the proposed changes to the FR 2900 would consolidate the reporting of ATS accounts, NOW accounts/share drafts, and telephone and preauthorized transfer accounts together with total savings deposits (including MMDAs) in a new data item, "Other liquid deposits." In addition, for data items collected annually on the FR 2900 for the June 30 report date, the report has been streamlined to collect only the data items needed for the reserve requirement exemption amount and low reserve tranche that combines demand deposits, NOW accounts, ATS accounts, telephone and preauthorized transfer accounts together with savings deposits in a new data item, "New Transaction Accounts." In contrast, the Call Report will continue to require institutions to report transaction and nontransaction accounts separately in Schedule RC-E.

The agencies note that the FR 2900 and Call Report serve two separate purposes. The primary purpose of the FR 2900 report is to collect data for the construction of the monetary aggregates. Although the Call Report can aid in the construction of the monetary aggregates by utilizing deposit data collected on a quarterly basis, its primary purpose is to serve as the principal source of financial of data used for the supervision and regulation of individual banks and savings associations and for monitoring the condition and performance of the banking industry. As such, the Call Report requires data to be reported on a more granular level than the FR 2900 report requires. Furthermore, section 7(a)(5) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(a)(5)) requires time and savings deposits to be reported separately from demand deposits in Call Reports. Therefore, the agencies believe that even though Call Report Schedule RC-E will maintain the requirement to report transaction and nontransaction accounts separately along with the demand deposit component of total transaction accounts and the components of total nontransaction accounts, institutions are familiar with the existing structure of Schedule RC-E and have systems and procedures in place for completing the schedule. Accordingly, the agencies do not anticipate that there would be a change in Call Report burden resulting from the retention of these deposit items in Schedule RC-E.

Secondly, the commenter recommended that a depositor's eligibility to hold a NOW account should not be included in the criteria assessment to determine the reporting treatment for savings deposits for which the numeric limits on transfers and withdrawals have been removed. The commenter noted that "if a firm does not offer NOW accounts, they would be required to report savings deposits as NOW accounts, ATS accounts, or telephone and preauthorized transfer accounts (and as transaction accounts) based on a depositor's eligibility to hold such account" and "for firms that do not offer NOW accounts, the data necessary to determine a depositor's eligibility for NOW accounts would not be readily available." In addition, the commenter also noted that this reporting treatment would be inconsistent with the Regulation D definition of savings deposits, as NOW account eligibility is not a component of the definition. The commenter believes gathering the data necessary to distinguish these depositors from other savings account holders solely for regulatory reporting purposes would create business and systems challenges. The agencies agree with the commenter that the depositor's eligibility to hold a NOW account should not be included in the assessment criteria for classification as a "savings deposit" as such reporting would not be consistent with the Regulation D definition of

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<sup>50</sup> 85 FR 54577 (September 2, 2020).

savings deposits. Therefore, the agencies will remove the depositor's eligibility to hold a NOW account from the assessment criteria.

Thirdly, the commenter requested clarification on how institutions should report the components of retail sweep arrangements in the Call Report. Specifically, the commenter asked whether institutions should continue to report the nontransaction components of, or savings deposits in, retail sweep arrangements as nontransaction accounts. If not, the commenter asked whether institutions should strictly follow the proposed assessment criteria for the treatment of accounts where the transfer limit has been removed. The agencies have modified the description of retail sweep arrangements to remove references to transaction and nontransaction components. Further, institutions should not follow the proposed assessment criteria for the treatment of accounts for which the transfer limit has been removed. Instead, institutions that offer valid retail sweep programs should report each component of the retail sweep arrangement based on the customer account agreement established by the depository institution. Two key criteria must be met for a valid retail sweep program. These criteria are (1) a depository institution must establish by agreement with its customer two distinct, legally separate accounts and (2) the swept funds must actually be moved between the customer's accounts on the depository institution's official books and records as of the close of business on the day(s) on which the depository institution intends to report the funds as being in separate accounts.

Lastly, the commenter requested that the Board confirm that savings deposits or accounts described in 12 CFR 204.2(d)(2) would not be subject to Regulation CC - Availability of Funds and Collection of Checks (12 CFR Part 229) as a result of the recent amendments to Regulation D. Because Regulation CC continues to exclude accounts described in 12 CFR 204.2(d)(2) from the Regulation CC "account" definition, the recent amendments to Regulation D did not result in savings deposits or accounts described in 12 CFR 204.2(d)(2) now being covered by Regulation CC.

#### *Provisions for Credit Losses on Off-Balance-Sheet Credit Exposures*

The banking trade association requested that the agencies permit institutions that have not adopted Accounting Standards Update No. 2016-13, Topic 326, Financial Instruments – Credit Losses (ASU 2016-13), to report their provisions for credit losses on off-balance sheet credit exposures as part of their provision expense in Schedule RI, item 4, rather than as part of other noninterest expense in Schedule RI, item 7.d. The agencies proposed to require the reporting of provisions for credit losses on off-balance sheet credit exposures in Schedule RI, item 4, only for institutions that have adopted ASU 2016-13.

The agencies do not want to create diversity in reporting by allowing some institutions that have not adopted ASU 2016-13 to choose to report their provisions for credit losses on off-balance sheet credit exposures as part of their provision expense in Schedule RI, item 4, while other institutions continue to report their provisions related to off-balance sheet credit exposures in Schedule RI, item 7.d. Therefore, the agencies are not adopting the commenter's suggestion. The agencies plan to consider whether to require the reporting of provisions for credit losses on off-balance sheet credit exposures by all institutions that have not adopted ASU 2016-13 as part of provisions for credit losses in Schedule RI, item 4. If the agencies decide to propose this

revision to the Call Report in the future, they would do so through the standard PRA notice and comment process.

The agencies are proceeding with the proposed revision to require institutions that have adopted ASU 2016-13 to include provisions for credit losses on off-balance sheet credit exposures in Schedule RI, item 4, and to separately report these provisions in Schedule RI-B, Part II, Memorandum item 7.

#### *Other Comments Received*

The agencies also received comments on the Call Report that were not specifically related to any of the proposed changes.

The U.S. government agency requested that the agencies expand the level of detail on interest and fee income collected in the Call Report on Schedule RI to align with each loan category reported on Schedule RC-C, Part I, Loans and Leases. The agencies are declining to make any changes to the level of detail on loan income at this time. The agencies believe the current level of detail strikes the appropriate balance between the information necessary for monitoring the condition and performance of individual institutions and the industry, as a whole, with the effort required by those organizations to separately collect and report interest and fee income information by loan category.

The banking trade association supported the agencies' actions during the COVID-19-related disruptions to permit institutions to electronically sign Call Reports and encouraged the agencies to permanently adopt an electronic signature option for Call Report filings. The agencies initially permitted electronic signatures on Call Reports as an accommodation to provide institutions flexibility during the COVID-19 disruptions. The agencies are exploring options for the possible adoption of standard protocols for permitting the use of electronic signatures on Call Reports on a permanent basis.

### **Comments Received on Revisions Related to the Total Loss Absorbing Capacity Investments Rule**

#### *General Comments*

Commenters requested that any changes to regulatory reporting related to the TLAC investments NPR – including changes to the Call Reports – be implemented after the effective date of the final rule. The agencies concur, and are not implementing associated changes to regulatory reports until the June 30, 2021, report date. The TLAC investments final rule's effective date is April 1, 2021.

Commenters further requested that the agencies delay implementation of the proposed changes to the Call Reports until 18 months after the TLAC investments final rule becomes effective to provide more time to modify reporting systems and identify exposures to “covered debt instruments.” In addition, commenters requested that the agencies not require application of the final rule's deduction treatment to an exposure to a global systemically important banking

organization until the reporting banking organization has the information necessary to determine whether such exposure qualifies as a “covered debt instrument.”

As discussed in the preamble of the TLAC investments final rule, the agencies maintain the supervisory expectation that large and internationally active banking organizations should be deeply knowledgeable of the securities exposures reported on their own balance sheets, if only for the purposes of prudent risk management. The final rule will become effective on April 1, 2021, and associated changes to the Call Reports would be implemented as of the June 30, 2021, report date. The agencies believe the effective date for the reporting changes provides sufficient time for advanced approaches banking organizations to evaluate investments in covered debt instruments and apply the final rule’s deduction treatment. Further, the agencies believe that the effective date for the reporting changes provides sufficient time for these banking organizations to change reporting systems and accurately identify exposures to covered debt instruments for purposes of regulatory reporting.

#### *Comments on FFIEC 101, Schedule A*

A commenter remarked that the agencies proposed to add new data item 56.a to Schedule A of the FFIEC 101 to implement the deduction of covered debt instruments; however, no analogous data item would be added to Schedule RC-R, Part I of the Call Reports and Schedule HC-R, Part I of the FR Y-9C. This commenter recommended adding a similar data item to the Call Reports and FR Y-9C.

While Schedule A of the FFIEC 101 collects similar information – capital amounts, capital deductions, and ratios, among other items – as Schedule RC-R, Part I, of the Call Reports and Schedule HC-R, Part I, of the FR Y-9C, the information collected is not exactly the same. Given that only large and internationally active banking organizations complete the FFIEC 101, this form collects more granular information on capital deductions in comparison to the Call Reports and the FR Y-9C. The addition of item 56.a only on the FFIEC 101 is consistent with prior practice. Therefore, in an effort to minimize regulatory burden on reporting forms completed by smaller and less complex banking organizations, the agencies will not add an analogous data item to either the Call Reports or FR Y-9C. For Call Report purposes, as proposed in the October 2019 notice, the agencies would revise the instructions for items 11, 17, 24, and 45 of Schedule RC-R, Part I, in the FFIEC 031-FFIEC 041 instruction book to effectuate the deductions from regulatory capital for advanced approaches banking organizations related to investments in covered debt instruments and excluded covered debt instruments.

#### **Additional Instructional Matters**

##### *Uncollectible Accrued Interest Receivable under ASC Topic 326*

In April 2019, the Financial Accounting Standards Board (FASB) issued ASU No. 2019-04, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,” which amended ASC Topic 326 to allow an institution to make certain accounting policy elections for accrued interest receivable balances, including a separate policy election, at the class of financing receivable or

major security-type level, to charge off any uncollectible accrued interest receivable by reversing interest income, recognizing credit loss expense (i.e., provision expense), or a combination of both. The Glossary entry for “Accrued Interest Receivable” in the Call Report instructions currently references the following accounting policy elections in ASU 2019-04:

- Institutions may elect to separately present accrued interest receivable from the associated financial asset, and the accrued interest receivable is presented net of an allowance for credit losses (ACL), if any; and
- Institutions that charge off uncollectible accrued interest receivable in a timely manner, i.e., in accordance with the Glossary entry for “Nonaccrual Status,” may elect, at the class of financing receivable or the major security-type level, not to measure an ACL for accrued interest receivable.

Although this Glossary entry does not currently provide for the ASU’s separate accounting policy election for the charge-off of uncollectible accrued interest receivable at the class of financing receivable or major security-type level, this election is specifically addressed in the Interagency Policy Statement on Allowances for Credit Losses issued in May 2020.<sup>51</sup> Accordingly, in the Call Report Supplemental Instructions issued by the FFIEC for the September 30, 2020, report date,<sup>52</sup> the FFIEC advised that, for Call Report purposes, an institution that has adopted ASC Topic 326 may make the charge-off election for accrued interest receivable balances in ASU 2019-04 separately from the other elections for these balances in the ASU. The FFIEC also stated that an institution may charge off uncollectible accrued interest receivable against an ACL for Call Report purposes.

The agencies plan to update the Call Report Glossary entry for “Accrued Interest Receivable” to align the instructions in this entry with the elections permitted under U.S. GAAP for institutions that have adopted ASC 326, which also would achieve consistency with the discussion of accrued interest receivable in the Interagency Policy Statement on Allowances for Credit Losses.

#### *Shared Fees and Commissions from Securities-Related and Insurance Activities*

Institutions report income from certain securities-related and insurance activities in Call Report Schedule RI, Income Statement, items 5.d.(1) through (5) on the FFIEC 031 and the FFIEC 041; items 5.d.(1) and (2) on the FFIEC 051. When an institution partners with, or otherwise joins with, a third party to conduct these securities-related or insurance activities, and any fees and commissions generated by these activities are shared with the third party, the Schedule RI instructions do not currently address the reporting treatment for these sharing arrangements. Consequently, institutions may report the gross fees and commissions from these activities in the appropriate subitem of Schedule RI, item 5, “Other noninterest income,” and the third party’s share of the fees and commissions separately as expenses in Schedule RI, item 7.d, “Other noninterest expense.” Alternatively, institutions may report only their net share of the fees or commissions in the appropriate subitem of Schedule RI, item 5.

The agencies believe that reporting shared fees and commissions on a net basis is preferable

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<sup>51</sup> 85 FR 32991 (June 1, 2020).

<sup>52</sup> [https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_FFIEC051\\_suppinst\\_202009.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_FFIEC051_suppinst_202009.pdf).

to gross reporting and is analogous to how income from certain other income-generating activities is reported in the Call Report income statement, including securitization income and servicing fee income, which are currently reported net of specified expenses and costs.

This net approach better represents an institution's income from a securities-related or insurance activity engaged in jointly with a third party than when the third party's share of the fees and commissions is separately reported as a noninterest expense in another income statement data item. As a result, the agencies plan to clarify the existing Schedule RI instructions to ensure consistent reporting on a net basis of fees and commissions from securities-related and insurance activities that are shared with third parties. Furthermore, to avoid including repetitive language in the instructions for the multiple noninterest income items for income from securities-related and insurance activities in Schedule RI, a new non-reportable item 5.d captioned "Income from securities-related and insurance activities" would be added before the existing 5.d subitems on the Call Report forms and in the FFIEC 031-FFIEC 041 and FFIEC 051 instruction books. The reporting treatment for arrangements involving the sharing of fees and commissions with third parties arising from an institution's securities brokerage, investment banking, investment advisory, securities underwriting, insurance and annuity sales, insurance underwriting, or any other securities-related and insurance activities would be explained once in the new item 5.d instructions.

#### *Pledged Equity Securities*

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." As one of its main provisions, the ASU requires investments in equity securities, except those accounted for under the equity method and those that result in consolidation, to be measured at fair value with changes in fair value recognized in net income. Thus, the ASU eliminates the existing concept of available-for-sale (AFS) equity securities, which are measured at fair value with changes in fair value generally recognized in other comprehensive income. As of December 31, 2020, all institutions will have been required to adopt ASU 2016-01 and, as a consequence, must report equity securities with readily determinable fair values not held for trading in Schedule RC, Balance Sheet, item 2.c, "Equity securities with readily determinable fair values not held for trading," instead of Schedule RC-B, Securities, item 7, "Investments in mutual funds and other equity securities with readily determinable fair values." Accordingly, Schedule RC-B, item 7, is scheduled to be removed effective December 31, 2020.

Institutions have long reported the amount of held-to-maturity and AFS securities reported in Schedule RC-B, items 1 through 7, that are pledged to secure deposits and for other purposes in Schedule RC-B, Memorandum item 1, "Pledged securities." Considering that all institutions that previously reported their AFS equity securities in Schedule RC-B, item 7, now report these securities in Schedule RC, item 2.c, the agencies are updating the instructions for Schedule RC-B, Memorandum item 1, and Schedule RC, item 2.c, to indicate that institutions should include in Memorandum item 1 the fair value of pledged equity securities with readily determinable fair values not held for trading that are now reported in Schedule RC, item 2.c. The wording of existing footnote 1 to Memorandum item 1 of Schedule RC-B on the Call Report forms will be similarly updated. These instructional clarifications would ensure that pledged



equity securities formerly reportable as AFS equity securities would continue to be reported in Memorandum item 1 notwithstanding the change in accounting for equity securities under U.S. GAAP. Information on pledged securities is an important element of the agencies' analysis of an institution's liquidity risk.

### **Timing**

As stated in the July 2020 notice, the reporting revisions associated with the interim final rules, the final deposit insurance assessments rule, and the CARES Act provisions have been approved by OMB through the emergency clearance process, and these revisions have taken effect for the March 31, 2020, and June 30, 2020, Call Report. Subject to OMB approval, the reporting revisions for which emergency approvals were received will remain in effect,<sup>53</sup> but with instructional clarifications for the modification to the eligibility in the final rule for the 5-year 2020 CECL transition provision. Also subject to OMB approval, the additional revisions to the Call Report instructions proposed in the July 2020 notice that are related to the amendment of the Board's Regulation D,<sup>54</sup> but with the removal of NOW account eligibility from the assessment criteria for "savings deposit" classification, would be effective for reporting beginning in the first quarter of 2021.

For the accounting-related changes of the July 2020 notice,<sup>55</sup> the revisions would take effect March 31, 2021, except for the revisions for last-of-layer hedging, which would be implemented following the FASB's adoption of a final last-of-layer hedge accounting standard. A final standard is not expected to be issued before the second half of 2021.

The reporting revisions to Schedule RC-M for the international remittance transfer items of the July 2020 notice<sup>56</sup> would take effect March 31, 2021.<sup>57</sup> The reporting changes to the Call Reports for the TLAC investments final rule would take effect June 30, 2021. The specific wording of the captions for the new or revised Call Report data items discussed in the October 2019 and July 2020 notices and this notice and the numbering of these data items should be regarded as preliminary. The Call Report instructional clarifications to the Glossary entry for "Accrued Interest Receivable" and Schedule RC-B for pledged equity securities would take effect December 31, 2020, while the instructional clarifications to Schedule RI for shared fees and commissions from securities-related and insurance activities would take effect March 31, 2021.

On November 23, 2020, the agencies, under the auspices of the FFIEC, published a final notice in the *Federal Register* (85 FR 74784) requesting public comment for 30 days on the extension, with revision, of the Call Reports. The comment period for this notice expired on December 23, 2020. One additional comment letter was received from a trade association.

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<sup>53</sup> As stated in the July 2020 notice, the collection of the new Call Report data items for which emergency approvals were received is expected to be time-limited.

<sup>54</sup> 85 FR 44369 (July 22, 2020).

<sup>55</sup> 85 FR 44371-44374 (July 22, 2020).

<sup>56</sup> 85 FR 44374-44375 (July 22, 2020).

<sup>57</sup> Institutions will report current Schedule RC-M, item 16, in December 2020; will not report current Schedule RC-M, item 16, at all in June 2021; and will report the proposed revised Schedule RC-M, item 16, in December 2021 (covering all of calendar year 2021).

The commenter pointed out the existence of certain differences in the definition for “deposits” between Regulation D and the Call Report (e.g., primary obligations, which are not reported as deposits on the Call Reports) that are known and understood by reporting institutions. However, prior to the Regulation D interim final rule (IFR), both Regulation D and the Call Report treated “savings deposits” as “nontransaction accounts.” As a result of these revisions to Regulation D and the Call Report instructions, the commenter stated that “savings deposits” are now classified explicitly as nontransaction accounts on the Call Report, while Regulation D would consider such “savings deposits” as transaction accounts. The commenter requested confirmation that there is a divergence in the instructions to the Call Report from the Regulation D definition of “transaction account” and, if there is such a divergence in definitions, the commenter recommended that the final instructions to the Call Reports be updated to reflect the same.

The agencies confirm that the noted divergence in the definition of “deposits” for Call Report purposes is intentional, as the Call Report instructions must incorporate definitions from both Regulation D and the Federal Deposit Insurance Act. The agencies have noted the commenter’s concerns and will consider clarifications to the instructions for the Call Reports in the future.

The commenter also recommended that the agencies further clarify the option to report savings deposits as NOW accounts, by noting in the assessment criteria that this option is only applicable to institutions that offer NOW accounts and the account offered subsequent to the suspension of the enforcement of the six-transfer limit is equivalent to the reporting institution’s NOW account offering and is held by eligible depositors as authorized by federal law. The agencies have noted the commenter’s recommendation, and will consider this clarification to the instructions for the Call Reports in the future.

Further, the commenter noted that the revisions to the Call Reports related to the Regulation D IFR are effective for reporting beginning in the first quarter of 2021 while the Board’s corresponding proposed revisions to the Consolidated Financial Statements for Holding Companies (FR Y-9C) and the Consolidated Report of Condition and Income for Edge and Agreement Corporations (FR 2886b; OMB No. 7100-0086) have a proposed effective date of December 31, 2020.<sup>58</sup> Additionally, the commenter noted that relevant revisions proposed to the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900) and the Report of Foreign (Non-U.S.) Currency Deposits (FR 2915; OMB No. 7100-0087) would take effect as of the April 12, 2021, and June 21, 2021, report dates, respectively.<sup>59</sup> The commenter recommended that the proposed revisions to the Call Reports, FR Y-9C, and FR 2886b resulting from the Regulation D IFR be delayed until the second quarter of 2021. The Call Reports, the FR Y-9C, and the FR 2886b all have a quarterly reporting frequency. In finalizing the proposed revisions to the FR Y-9C and FR 2886b related to the Regulation D IFR, the Board has aligned the effective date of these revisions to the FR Y-9C and FR 2886b with the effective date for these revisions to the Call Reports. Thus, the revisions related to the Regulation D IFR would take effect for all three quarterly reports beginning in the first quarter of 2021. The FR 2900 and the FR 2915 have a different reporting frequency than the three quarterly reports, with the

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<sup>58</sup> See 85 FR 63553 (October 8, 2020).

<sup>59</sup> See 85 FR 83555 (December 22, 2020)

revisions related to the Regulation D IFR taking effect for the reporting dates of April 12, 2021, and June 21, 2021, respectively, which would provide additional time to respondents to incorporate the current and future proposed changes to the Call Reports. The agencies note that the FR 2900 and the FR 2915 are reports with weekly reporting frequencies, while the Call Report has a quarterly reporting frequency. Therefore, the proposed effective date for the Call Report of the corresponding revisions cannot be aligned exactly with the effective dates of the FR 2900 or the FR 2915. The agencies believe banking organizations will be able to implement the revisions to the quarterly reports by the March 31, 2021, report date. Implementing the revisions at this time would also allow for consistent reporting for all quarters in calendar year 2021, which improves data comparability.

### Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the Call Reports is 134,114 hours, and would increase to 134,202 hours with the proposed revisions. The average estimated hours per response for Board Call Report filers would increase from 45.37 hours to 45.40 hours due to the proposed changes. The estimated average hours per response for the quarterly filings of the Call Report is a weighted average of the three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051). Both the weighted average Call Report burden estimate and the three separate versions of the Call Report vary 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). These reporting requirements represent 1.5 percent of the Board’s total paperwork burden.

<b>FFIEC 031, FFIEC 041, and FFIEC 051</b>	<i>Estimated number of respondents<sup>60</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	739	4	45.37	134,114
Proposed	739	4	45.40	134,202
<i>Change</i>				88

The estimated total annual cost to the public for the Call Reports is \$7,745,084 and would increase to \$7,750,166 with the proposed revisions.<sup>61</sup>

<sup>60</sup> Of these respondents, 474 are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://www.sba.gov/document/support--table-size-standards>.

<sup>61</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$20, 45% Financial Managers at \$71, 15% Lawyers at \$70, and 10% Chief Executives at \$93). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2019*, published March 31, 2020, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.

### **Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

### **Estimate of Cost to the Federal Reserve System**

The estimated cost to the Federal Reserve System for collecting and processing the FFIEC 031, FFIEC 041, and FFIEC 051 is \$1,871,500 per year.