

**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 Report forms and instructions (FFIEC 031 and FFIEC 041 only) effective for the June 30, 2021, report date to implement the FDIC's amendments to the deposit insurance assessment system applicable to all large insured depository institutions (IDIs), including highly complex IDIs, to address the temporary deposit insurance assessment effects resulting from certain optional regulatory capital transition provisions relating to the implementation of the current expected credit losses (CECL) methodology. The change to the Call Reports would enable the FDIC to remove the double counting of a specified portion of the CECL transitional amount or the modified CECL transitional amount, as applicable (collectively, the CECL transitional amounts), in certain financial measures that are calculated using the sum of Tier 1 capital and reserves and that are used to determine assessment rates for large and highly complex IDIs.

The agencies also propose to revise the Call Report forms and instructions effective for the September 30, 2021, report date related to the exclusion of sweep deposits and certain other deposits from reporting as brokered deposits, as indicated by the agencies in the Net Stable Funding Ratio (NSFR) final rule and by the FDIC in its Final Rule on Brokered Deposits and Interest Rate Restrictions (brokered deposits final rule), respectively. In addition, the agencies propose to revise the Call Report instructions addressing brokered deposits to align them with the brokered deposits final rule.

The current estimated total annual burden for the Call Reports is 132,205 hours, and would increase to 132,845 hours. The proposed revisions would result in an increase of 640 hours. The draft forms and instructions are available on the FFIEC's public website at

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.¹ 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,

¹ 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).

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 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

Deposit Insurance Assessment-Related Revision

Upon adoption of the CECL methodology, an institution will record a one-time adjustment to its credit loss allowances as of the beginning of its fiscal year of adoption equal to the difference, if any, between the amount of credit loss allowances required under the incurred loss methodology and the amount of credit loss allowances required under CECL. An institution's implementation of CECL will affect its retained earnings, deferred tax assets, credit loss allowances, and, as a result, its regulatory capital ratios.

In recognition of the potential for the implementation of CECL to affect regulatory capital ratios, on February 14, 2019, the agencies issued a final rule that revised certain regulations, including the agencies' regulatory capital regulations (capital rule),² to account for the aforementioned changes to credit loss accounting under U.S. generally accepted accounting principles (GAAP), including CECL (2019 CECL rule).³ The 2019 CECL rule includes a transition provision that allows institutions to phase in over a three-year period the day-one adverse effects of CECL on their regulatory capital ratios.

As part of the efforts to address the disruption of economic activity in the United States caused by the spread of the coronavirus disease 2019 (COVID-19), on March 31, 2020, the agencies adopted a second CECL transition provision through an interim final rule.⁴ The agencies subsequently adopted a final rule (2020 CECL rule) on September 30, 2020, that is

² 12 CFR Part 3 (OCC); 12 CFR Part 217 (Board); 12 CFR Part 324 (FDIC).

³ 84 FR 4222 (February 14, 2019).

⁴ 85 FR 17723 (March 31, 2020).

consistent with the interim final rule, with some clarifications and adjustments related to the calculation of the transition and the eligibility criteria for using the 2020 CECL transition provision.⁵ The 2020 CECL rule provides that only institutions that adopt CECL for a fiscal year that begins during the 2020 calendar year, have the option to delay for up to two years an estimate of CECL's effect on regulatory capital, followed by a three-year transition period (i.e., a five-year transition period in total). The 2020 CECL rule does not replace the three-year transition provision in the 2019 CECL rule, which remains available to any institution at the time that it adopts CECL.⁶

Certain financial measures that are used to determine assessment rates for large and highly complex institutions⁷ are calculated using both Tier 1 capital and reserves. For institutions that elect either the three-year transition provision contained in the 2019 CECL rule or the five-year transition provision contained in the 2020 CECL rule, the amount of Tier 1 capital reported in Call Report Schedule RC-R, Part I, item 26, includes (due to adjustments to the amount of retained earnings reported on the Call Report balance sheet) the applicable portion of the CECL transitional amount (or the modified CECL transitional amount). For deposit insurance assessment purposes, reserves are calculated using the amount of the allowance for loan and lease losses reported in Call Report Schedule RC, item 4.c. For all institutions that have adopted CECL, Schedule RC, item 4.c, reflects the allowance for credit losses on loans and leases. The issue of double counting arises in certain financial measures used to determine assessment rates for large and highly complex institutions that are calculated using both Tier 1 capital and reserves because the allowance for credit losses on loans and leases is included during the transition period in both reserves and, as a portion of the CECL or modified CECL transitional amount, Tier 1 capital.

For institutions that elect either the three-year transition provision contained in the 2019 CECL rule or the five-year transition provision contained in the 2020 CECL rule, the CECL transitional amounts, as defined in the regulatory capital rules,⁸ additionally include the effect on retained earnings, net of tax effect, of establishing allowances for credit losses in accordance with the CECL methodology on held-to-maturity (HTM) debt securities, other financial assets measured at amortized cost, and off-balance sheet credit exposures as of the beginning of the fiscal year of adoption. The applicable portions of the CECL transitional amounts attributable to allowances for credit losses on HTM debt securities, other financial assets measured at amortized cost, and off-balance sheet credit exposures are included in Tier 1 capital only and are not double counted with reserves for deposit insurance assessment purposes.

To address the temporary deposit insurance assessment effects resulting from certain optional regulatory capital transition provisions under the 2019 and 2020 CECL rules, the FDIC proposed amendments to the deposit insurance assessment system applicable to all large and highly complex IDIs on December 7, 2020.⁹ Under these proposed amendments to the assessment system, the FDIC would remove the double counting of the applicable portion of the

⁵ See 85 FR 61577 (September 30, 2020).

⁶ See 85 FR 61578 (September 30, 2020).

⁷ See 12 CFR 327.8 and 12 CFR 327.16(f).

⁸ See 12 CFR 3.301 (OCC); 12 CFR 217.301 (Board); 12 CFR 324.301 (FDIC).

⁹ 85 FR 78794 (December 7, 2020).

CECL transitional amounts that is added to retained earnings for regulatory capital purposes and is attributable to the allowance for credit losses on loans and leases held for investment in certain financial measures that are calculated using the sum of Tier 1 capital and reserves, and also from the loss severity measure, which are used to determine assessment rates for large and highly complex institutions.

In calculating certain financial measures used in the scorecards for determining deposit insurance assessment rates for large and highly complex institutions, the FDIC has proposed to remove a portion of the CECL transitional amounts added to retained earnings for regulatory capital purposes under the transitions provided for under the 2019 or 2020 CECL rules. Specifically, in certain measures used in the scorecard approach for determining assessment rates for large and highly complex institutions, the applicable portion of the CECL transitional amount (or modified CECL transitional amount) that is added to retained earnings for regulatory capital purposes and is attributable to the allowance for credit losses on loans and leases held for investment would be removed under the FDIC's proposal. However, large and highly complex institutions that have elected a CECL transition provision do not currently report these specific portions of the CECL transitional amounts in the Call Report. Thus, implementing the FDIC's proposed amendments to the risk-based deposit insurance assessment system applicable to large and highly complex institutions requires a new, temporary memorandum item and corresponding changes to the FFIEC 031 and FFIEC 041 versions of the Call Report forms and instructions.

In this regard, the CECL effective dates assigned by the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-13, Financial Instruments—Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments (ASU 2016-13) as most recently amended by ASU No. 2019-10, the optional temporary relief from complying with CECL afforded by the CARES Act, and the transitions under the 2019 CECL rule and 2020 CECL rule provide that, at present, all institutions will have completely reflected in regulatory capital the day-one effects of CECL (plus, if applicable, an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, during the first two years of CECL adoption) by December 31, 2026. As a result, the reporting change for large and highly complex institutions would be required only while the temporary relief under the 2019 and 2020 CECL rules is reflected in institutions' Call Reports. The agencies would remove the proposed new Call Report item when all large and highly complex institutions are no longer using a CECL transition.

Specifically, the agencies propose to add a new Memorandum item 5 to Schedule RC-O, Other Data for Deposit Insurance Assessments, in the FFIEC 031 and the FFIEC 041 Call Reports, only in order to quantify the applicable portions of the CECL transitional amounts added to retained earnings for regulatory capital purposes and attributable to the allowance for credit losses on loans and leases held for investment. The removal of this portion of the CECL transitional amounts is needed because, for large and highly complex institutions that have adopted CECL, the measure of reserves used in the scorecard is limited to the allowance for credit losses on loans and leases.

To adjust the calculations of certain financial measures used to determine deposit insurance assessment rates for large and highly complex institutions, the FDIC would remove the

amount reported in the new Schedule RC-O Memorandum item from scorecard measures that are calculated using the sum of Tier 1 capital and reserves and also from the loss severity measure in the scorecards.

Beginning with the June 30, 2021, Call Report, Schedule RC-O, Memorandum item 5, “Applicable portion of the CECL transitional amount or modified CECL transitional amount that has been added to retained earnings for regulatory capital purposes as of the report date and is attributable to loans and leases held for investment,” would be completed only by large and highly complex institutions that have adopted ASU 2016-13 and reported having a CECL transition election in effect as of the quarter-end report date.

Revisions Related to Brokered Deposits and Sweep Deposits

Net Stable Funding Ratio Rulemaking

On October 20, 2020, the agencies announced the adoption of a final rule implementing the NSFR relevant for certain large U.S. banking institutions with \$100 billion or more in total consolidated assets.¹⁰ The final rule assigned a 90 percent Available Stable Funding (ASF) factor to affiliate sweep deposits provided by a retail customer or counterparty. Also, a 95 percent ASF factor was assigned to affiliate sweep deposits provided by a retail customer or counterparty where the entire amount of the sweep deposit is covered by deposit insurance and where an institution subject to the NSFR final rule has demonstrated to the satisfaction of its appropriate Federal banking agency that withdrawal of the deposit is highly unlikely to occur during a liquidity stress event. Other sweep deposits (i.e., non-affiliate sweep deposits provided by a retail customer or counterparty and certain sweep deposits provided by wholesale, non-financial customers) were assigned a 50 percent ASF factor, irrespective of the level of deposit insurance. Additionally, in the Supplementary Information section to the NSFR final rule, the agencies indicated they will continue to review the treatment of sweep deposits under the Liquidity Coverage Ratio (LCR) and NSFR rules.¹¹ As part of this effort, the agencies are proposing to collect new data items in the Call Reports that would help evaluate funding stability of sweep deposits over time to determine their appropriate treatment under applicable liquidity regulations.

This proposal to capture new Call Report data items for sweep deposits would provide the agencies with several benefits for its understanding of liquidity risks relevant to institutions of all sizes. First, the agencies would be able to better observe funding dynamics, between insured and partially insured sweep deposits, thereby providing data on the funding stability of partially insured sweep deposits. Second, by having institutions with \$100 billion or more in total assets report sweep deposits for different types of counterparties, any material differences in the stability of different types of counterparties that transact in sweep deposits would be more transparent for monitoring over time to determine their appropriate treatment under liquidity regulations.

¹⁰ See the NSFR final rule attached to OCC News Release 2020-138, Board Press Release, and FDIC Press Release 116-2020, all of which are dated October 20, 2020.

¹¹ 12 CFR Part 50 (OCC); 12 CFR Part 249 (Board); 12 CFR Part 329 (FDIC) (referred to as the liquidity regulations).

Further, as noted in the NSFR final rule, sweep deposits received from affiliates have different stability characteristics than sweep deposits received from non-affiliates based on the varying priority and reliability of each affiliate and non-affiliate sweep deposits. The proposed new data items would provide the agencies with observations about the varying liquidity and other risk characteristics of these different types of sweep deposits.

Brokered Deposits Rulemaking

On December 15, 2020, the FDIC issued the brokered deposits final rule.¹² This rule accomplished several objectives, including establishing a new framework for analyzing certain provisions of the “deposit broker” definition,¹³ including “facilitating” and “primary purpose.”¹⁴ The brokered deposits final rule also reaffirmed the intent stated in the interagency NSFR final rule to update the Call Report to collect information related to sweep deposits.¹⁵ The FDIC plans to monitor this data and could consider in the future whether modifications to deposit insurance assessment pricing are warranted, consistent with the statutory requirement that the assessments be risk-based.

Relevant for brokered deposits, section 29 of the FDI Act provides that an agent or nominee meets the primary purpose exception to the “deposit broker” definition when the primary purpose of the agent or nominee is not the placement of funds with depository institutions. In the brokered deposits final rule, the FDIC adopted revised criteria for the primary purpose exception based on the relationship between the agent or nominee and its customers. Specifically, the primary purpose exception applies when the primary purpose of the agent’s or nominee’s business relationship with its customers is not the placement of funds with depository institutions. The following business relationships were identified in the brokered deposits final rule as “designated exceptions” from the deposit broker definition and are business relationships in which, with respect to a particular business line:

- (1) less than 25 percent of the total assets that the agent or nominee has under administration for its customers is placed at depository institutions (25 percent test),
- (2) 100 percent of depositors’ funds that the agent or nominee places, or assists in placing, at depository institutions are placed into transactional accounts that do not pay any fees, interest, or other remuneration to the depositor,
- (3) a property management firm places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing property management services,
- (4) the agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing cross-border clearing services to its customers,
- (5) the agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of providing mortgage servicing,
- (6) a title company places, or assists in placing, customer funds into deposit accounts for the primary purpose of facilitating real estate transactions,

¹² 86 FR 6742 (January 22, 2021).

¹³ See Section 29(g) of the Federal Deposit Insurance Act (FDI Act) (12 U.S.C. § 1831f(g)).

¹⁴ The final rule also amended the FDIC’s methodology for calculating the national rate, the national rate cap, and the local market rate cap for the interest rate restrictions under section 29 that apply to less than well-capitalized institutions.

¹⁵ 86 FR 6742 (January 22, 2021).

(7) a qualified intermediary places, or assists in placing, customer funds into deposit accounts for the primary purpose of facilitating exchanges of properties under section 1031 of the Internal Revenue Code,

(8) a broker-dealer or futures commission merchant places, or assists in placing, customer funds into deposit accounts in compliance with 17 CFR 240.15c3-3(e) or 17 CFR 1.20(a),

(9) the agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of posting collateral for customers to secure credit-card loans,

(10) the agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of paying for or reimbursing qualified medical expenses under section 223 of the Internal Revenue Code,

(11) the agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of investing in qualified tuition programs under section 529 of the Internal Revenue Code,

(12) the agent or nominee places, or assists in placing, customer funds into deposit accounts to enable participation in the following tax-advantaged programs: individual retirement accounts under section 408(a) of the Internal Revenue Code, Simple individual retirement accounts under section 408(p) of the Internal Revenue Code, and Roth individual retirement accounts under section 408A of the Internal Revenue Code,

(13) a Federal, State, or local agency places, or assists in placing, customer funds into deposit accounts to deliver funds to the beneficiaries of government programs, and

(14) the agent or nominee places, or assists in placing, customer funds into deposit accounts pursuant to such other relationships as the FDIC specifically identifies as a designated business relationship that meets the primary purpose exception.

The brokered deposits final rule discussed the FDIC's consideration, as part of the rulemaking process, for requiring reporting of deposits that are excluded from being reported as brokered deposits because of the application of the primary purpose exception, which may include sweep deposits placed at insured depository institutions. Supervision and deposit insurance assessments evaluate risk, in part, based on data institutions report on the Call Report. Institutions report total brokered deposits but generally do not distinguish between different types of deposits that are currently classified as brokered. As a result of the final rule, the FDIC expects that some sweep deposits that are currently brokered deposits placed by third parties will meet the revised primary purpose exception and therefore no longer be reported on the Call Report as brokered. Sweep deposits placed by a third party that meet the primary purpose exception may, in some cases, still pose varying levels of funding risk as well as elevated risk of loss to the deposit insurance fund in the event of an insured depository institution's failure.¹⁶ As such, FDIC plans to monitor sweep deposits that are not brokered due to the primary purpose exception over time to determine the supervisory and deposit insurance assessment implications of these deposits, if any. As such, the agencies are proposing including an additional Call Report item related to sweep deposits placed by third parties that meet the primary purpose exception.

¹⁶ As described in the preamble to the brokered deposits final rule, "Nothing in the final rule is intended to limit the FDIC's ability to review or take supervisory action with respect to funding-related matters, including funding concentrations, that may affect the safety and soundness of individual banks or the industry generally. FDIC examiners will continue to review funding as part of safety and soundness examinations, regardless of whether or not the deposits used by the [insured depository institution] IDI are brokered."

Proposed Data Items to Capture Sweep Deposits and Deposits Categorized as Meeting the Primary Purpose Exception and Related Instructions

Under the NSFR Final Rule and the brokered deposits final rule, the agencies stated their intent to update the Call Report to obtain data that will assist in better evaluations of funding stability for sweep deposits over time to determine their appropriate treatment under applicable liquidity regulations and to assess the risk factors associated with sweep deposits for determining their deposit insurance assessment implications, if any. Accordingly, the agencies propose to add the following data items applicable to all institutions that file the Call Report. Specifically, the following five data items would be added to Schedule RC-E, Deposit Liabilities, on all three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051). These five data items would be collected quarterly on the FFIEC 031 and FFIEC 041 Call Reports and semiannually on the FFIEC 051 Call Report.

- Memorandum item 1.h.(1) for fully insured, affiliate sweep deposits to capture sweep deposits that are deposited in accordance with a contract between a customer or counterparty and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary, where the entire amount of the deposit is covered by deposit insurance,
- Memorandum item 1.h.(2) for not fully insured, affiliate sweep deposits to capture sweep deposits that are deposited in accordance with a contract between a customer or counterparty and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary, where less than the entire amount of the deposit is covered by deposit insurance,
- Memorandum item 1.h.(3) for fully insured, non-affiliate sweep deposits to capture sweep deposits that are not deposited in accordance with a contract between a customer or counterparty and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary, where the entire amount of the deposit is covered by deposit insurance,
- Memorandum item 1.h.(4) for not fully insured, non-affiliate sweep deposits to capture sweep deposits that are not deposited in accordance with a contract between a customer or counterparty and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary, where less than the entire amount of the deposit is covered by deposit insurance, and
- Memorandum item 1.i for total sweep deposits that are not brokered due to a primary purpose exception, which corresponds to the 25 percent test exception above.

In addition, the following four data items would be added to Schedule RC-E, Deposit Liabilities, on the FFIEC 031 Call Report only and would be completed quarterly only by institutions with \$100 billion or more in total assets.¹⁷

¹⁷ The \$100 billion asset-size test is based on the total assets reported as of June 30 each year to determine whether an institution not otherwise required to file the FFIEC 031 Call Report must file the FFIEC 031 report form beginning in March of the following year.

- Memorandum item 1.h.(1)(a) to capture the portion of fully insured, affiliate sweep deposits reported in Memorandum item 1.h.(1) that are deposited in accordance with a contract between a retail customer or counterparty and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary, where the entire amount of the deposit is covered by deposit insurance,
- Memorandum item 1.h.(2)(a) to capture the portion of not fully insured, affiliate sweep deposits reported in Memorandum item 1.h.(2) that are deposited in accordance with a contract between a retail customer or counterparty and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary, where less than the entire amount of the deposit is covered by deposit insurance,
- Memorandum item 1.h.(3)(a) to capture the portion of fully insured, non-affiliate sweep deposits reported in Memorandum item 1.h.(3) that are deposited by a retail customer or counterparty and not in accordance with a contract between the retail customer or counterparty and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary, where the entire amount of the deposit is covered by deposit insurance, and
- Memorandum item 1.h.(4)(a) to capture the portion of not fully insured, non-affiliate sweep deposits reported in Memorandum item 1.h.(4) that are deposited by a retail customer or counterparty and not in accordance with a contract between the retail customer or counterparty and the reporting institution, a controlled subsidiary of the reporting institution, or a company that is a controlled subsidiary of the same top-tier company of which the reporting institution is a controlled subsidiary, where less than the entire amount of the deposit is covered by deposit insurance.

Definitions

The agencies propose to revise the Call Report instructions to add the following definition for “sweep deposit”: A sweep deposit means a deposit held at the reporting institution by a customer or counterparty through a contractual feature that automatically transfers to the reporting institution from another regulated financial company at the close of each business day amounts identified under the agreement governing the account from which the amount is being transferred.¹⁸ Note: This definition would be distinctly separate from the existing “retail sweep arrangements” and “retail sweep programs” definitions in the Glossary entry for “Deposits” in the Call Report instructions.

Furthermore, consistent with the discussion of the data items proposed to be collected in the Call Report, “affiliate sweep deposits” would be defined as sweep deposits that are deposited in accordance with a contract between a customer or counterparty and a reporting institution, a reporting institution’s consolidated subsidiary, or a company that is a consolidated subsidiary of

¹⁸ See 79 FR 61524 for the LCR Rule’s definition of brokered sweep deposit which was renamed to “sweep deposit” when the NSFR rule was finalized in October 2020, <https://www.fdic.gov/news/board/2020/2020-10-20-notice-dis-b-fr.pdf>.

the same top-tier company of which the reporting institution is a consolidated subsidiary. “Non-affiliate sweep deposits” would be defined as sweep deposits that are not deposited in accordance with a contract between a customer or counterparty and a reporting institution, a reporting institution’s consolidated subsidiary, or a company that is a consolidated subsidiary of the same top-tier company of which the reporting institution is a consolidated subsidiary.

The agencies also propose to revise the Call Report instructions to add the LCR rule’s definition¹⁹ of “retail customer or counterparty,” which reads, “A retail customer or counterparty means a customer or counterparty that is:

- (1) An individual, or
- (2) A business customer, but solely if and to the extent that (i) The reporting institution manages its transactions with the business customer, including deposits, unsecured funding, and credit facility and liquidity facility transactions, in the same way it manages its transactions with individuals, (ii) Transactions with the business customer have liquidity risk characteristics that are similar to comparable transactions with individuals, and (iii) The total aggregate funding raised from the business customer is less than \$1.5 million.”

In addition, the Call Report instructions would add the LCR rule’s definition of “wholesale customer or counterparty,” which reads, “A wholesale customer or counterparty means a customer or counterparty that is not a retail customer or counterparty.”²⁰

Beginning with the June 30, 2021, report date, the agencies propose all institutions filing the FFIEC 031, FFIEC 041, and FFIEC 051 Call Reports would complete Schedule RC-E, Memorandum items 1.h.(1) through 1.h.(4) and 1.i, to report the deposit data. Thereafter, these data items would be collected quarterly on the FFIEC 031 and FFIEC 041 Call Reports and semiannually on the FFIEC 051 Call Report. Beginning as of the same report date, all institutions filing the FFIEC 031 Call Report with \$100 billion or more in total assets would complete Schedule RC-E, Memorandum items 1.h.(1)(a), 1.h.(2)(a), 1.h.(3)(a), and 1.h.(4)(a) to report the additional deposit data.

The brokered deposits final rule takes effect April 1, 2021. Full compliance with this final rule is extended to January 1, 2022. The extended compliance date is intended to provide sufficient time for institutions to put in place systems to implement the new regulatory regime. The Call Report will provide two sets of instructions that will allow institutions to either (1) comply with the new regulation starting on the June 30, 2021, report date, or (2) continue to rely upon existing FDIC staff advisory opinions or other interpretations that predated the brokered deposits final rule in determining whether deposits placed by or through an agent or nominee are brokered deposits for purposes of reporting brokered deposit data in the Call Report through the December 31, 2021, report date.

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

¹⁹ 79 FR 61439, 61527 (October 10, 2014).

²⁰ 79 FR 61439, 61528 (October 10, 2014).

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 December 18, 2020, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (85 FR 82580) requesting public comment for 60 days on the extension, with revision, of the Call Reports deposit insurance assessment-related revision. The comment period for this notice expired on February 16, 2021. On February 5, 2021, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (86 FR 8480) requesting public comment for 60 days on the extension, with revision, of the Call Reports revisions related to brokered deposits and sweep deposits. The comment period for this notice expired on April 6, 2021.

Deposit Insurance Assessment-Related Revision

The agencies received one comment on the December 2020 notice to revise the Call Report to implement the FDIC’s proposed amendments to the deposit insurance assessment system. The commenter discussed another potential double-counting in the computation of the leverage ratio.

This comment is not specifically applicable to the deposit insurance assessment regulations or the related revision to the Call Report addressed in the December 2020 notice. The calculation of the leverage ratio in the Call Report is aligned with the calculation pursuant to the agencies’ regulatory capital rules, which is outside the scope of the proposed changes.

To improve the clarity of the reporting changes for deposit insurance assessments, the agencies plan to add examples to the instructions for Schedule RC-O, Memorandum item 5, to show what an institution that has elected the three-year or the five-year 2020 CECL transition

provision would report in the new Memorandum item. These examples would be added at the end of the instructions for the Schedule RC-O, Other Data for Deposit Insurance Assessments.

After considering the comments on the deposit insurance assessment-related revision, the agencies are proceeding with the changes to the Call Reports as proposed with the added examples to show what an institution would report in the new Memorandum item in Schedule RC-O (FFIEC 031 and FFIEC 041 only).

Deposit-Related Revisions

The agencies received one comment letter from three trade associations on the February 2021 notice to revise the Call Report forms and instructions related to sweep deposits. The commenters recommended that institutions that report sweep deposits on the Board's Complex Institution Liquidity Monitoring Report (FR 2052a; OMB No. 7100-0361) should not be required to provide comparable data on the Call Report. Additionally, the commenters requested that the proposed Call Report memorandum items receive confidential treatment consistent with the treatment of comparable data items provided on the FR 2052a. The commenters further requested that the proposed Call Report memorandum items be delayed until the March 2022 report date. The commenters requested that the agencies confirm whether institutions are permitted to incorporate the new brokered deposits regime for purposes of reporting beginning with the June 30, 2021 Call Report, even if such institutions are still in the primary purpose exception application process. Finally, the commenters requested clarification with respect to the definition of "not fully insured" as it would apply to the proposed Call Report memorandum items.

The FR 2052a is required to be filed on a consolidated basis by (1) certain top-tier bank holding companies and top-tier covered savings and loan holding companies that in each case have consolidated assets of \$100 billion or more, and (2) certain foreign banking organizations with combined U.S. assets of \$100 billion or more. The largest and most complex FR 2052a filers additionally submit data in respect to a limited number of subsidiaries, including large depository institution subsidiaries, and U.S. branches. The FR 2052a report is collected on a daily or monthly basis, depending on the size of the reporting organization.²¹ In contrast, the proposed Call Report data collection would reflect deposit data from all depository institutions regardless of size. The Call Report data also would be collected on a quarterly or semiannual basis. Due to the differences in scope and frequency of the reporting, the agencies do not believe that there is material duplication between the data requested.

Regarding the comment on confidential treatment, the Board notes that the information collected in the FR 2052a is collected as part of the agencies' supervisory framework and is provided confidential treatment for several reasons. The FR 2052a collection is reported on a frequent basis and includes a wide range of financial exposures providing detailed information

²¹ In general, banking organizations subject to the full liquidity coverage ratio requirements of the agencies' Liquidity Coverage Ratio (LCR) rule, including all Category I and II banking organizations and certain Category III banking organizations (as such categories are defined in the rule), must submit the FR 2052a data on a daily basis while other banking organizations with total consolidated assets greater than \$100 billion, including certain Category III and all Category IV banking organizations, must submit FR 2052a data on a monthly basis.

on the liquidity profile of reporting firms (e.g., financing of securities positions and prime brokerage activities). Additionally, FR 2052a data is used as a supervisory tool to monitor individual organizations' overall liquidity profile, including during periods of stress, and may reflect risks and exposures between a respondent's material legal entities. As a result, public availability of an individual banking organization's detailed and frequent FR 2052a data could result in disclosure of proprietary business information.

By comparison, the proposed Call Report data items would be reported on a less frequent basis (quarterly or semiannually) by all individual depository institutions and do not include the same extensive scope of items reported under the FR 2052a collection. The agencies therefore do not believe public disclosure of the proposed Call Report data items would result in disclosure of proprietary business information which would harm a bank's competitive position. For example, because the proposed Call Report data items would be reported on a quarterly or semiannual basis and constitute limited information about a bank's liquidity risk or structural funding, it would not be possible for the public to determine an individual bank's Liquidity Coverage Ratio (LCR) or NSFR at any point within a quarter.²² Therefore, the agencies are not proposing to adopt confidential treatment for the proposed Call Report memorandum items.

With regard to the implementation date of the revisions to the Call Reports, the agencies acknowledge that institutions may need additional time to make system changes to capture the relevant data. Accordingly, in response to comments, the agencies are proposing to delay the implementation date for the new memorandum items in the Call Report forms and instructions until the September 30, 2021, reporting date rather than for June 30, 2021, as originally proposed. As the collection in the FFIEC 051 occurs semiannually, FFIEC 051 filers will report the new data items for the first time for the December 31, 2021, reporting date. This delay should provide institutions with sufficient additional time to put in place systems to begin reporting on the proposed memorandum items.

The agencies will provide clarifications in the Call Report Glossary and Schedule RC-E, Deposit Liabilities instructions in response to comments related to reporting deposits as brokered in instances where a primary purpose application is pending or where an institution wishes to rely upon a previous staff advisory opinion or interpretation through December 31, 2021.

With respect to pending applications for a primary purpose exception, an IDI that receives deposits from a third party that is a "deposit broker" where an application for a primary purpose exception is pending, would report such deposits as brokered deposits if and until the FDIC approves such application. This is because the deposits being placed by or through a third party that is a deposit broker are brokered deposits unless the third party meets an exception to the definition.

In response to the commenters' request, the agencies are clarifying the definition of "not fully insured" as it would apply to the deposit-related Call Report revisions. As described in the agencies' February 2021 notice, the proposal aligns with the final NSFR rule and revised Call Report Glossary definition of "Sweep Deposits." Under the agencies' LCR and NSFR rules, a

²² Holding companies subject to the agencies' LCR and NSFR rules must publicly disclose their consolidated LCR and NSFR on a quarterly basis.

sweep deposit is considered “fully insured” if the entire amount of the sweep deposit is covered by deposit insurance provided by the FDIC under the Federal Deposit Insurance Act.²³ A sweep deposit is “not fully insured” if less than the entire balance of the sweep deposit is covered by FDIC insurance.

The brokered deposits final rule included clarifications to the definition of “deposit broker” in section 29(g) of the Federal Deposit Insurance Act and section 337.6(a)(5) of the FDIC’s regulations. The meaning of the term “brokered deposit” depends on the meaning of the term “deposit broker.” The term “Brokered Deposits” is defined in the Call Report Glossary, and the term “deposit broker” is also addressed in instructions to Schedule RC-E, Deposit Liabilities. Consistent with the agencies’ proposal to revise the Call Report instructions in the February 2021 notice, the agencies plan to update the Glossary and Schedule RC-E instructions to align with the clarifications to the definition of “deposit broker” in the brokered deposits final rule.

After considering the comments, the agencies are clarifying the proposed instructions as described above and proceeding with the clarifications in the Call Report Glossary and Schedule RC-E instructions related to the definition of “deposit broker.”

The agencies are also making several technical corrections to proposed revisions in the February 2021 notice. In that notice, the agencies proposed to revise the Call Report instructions to add the LCR rule’s definition²⁴ of “retail customer or counterparty,” but inadvertently excluded references to living or testamentary trusts as part of that definition. The agencies will correct the Call Report instructions to include the complete definition of retail customer or counterparty from the agencies’ LCR rule.

In the February 2021 notice, the agencies stated that the Call Report instructions would add the LCR rule’s definition of “wholesale customer or counterparty.” Because there are no proposed line items that require the definition of wholesale customer or counterparty, the agencies do not plan to make this change in the Call Report instructions.

Revised Memorandum Item for Non-Brokered Sweep Deposits

As part of the February 2021 notice, the agencies proposed including the following data item that would be collected quarterly on the FFIEC 031 and FFIEC 041 Call Reports and semiannually on the FFIEC 051 Call Report:

- Memorandum item 1.i for total sweep deposits that are not brokered due to a primary purpose exception, which corresponds to the 25 percent test exception above.

As provided in the February 2021 notice, the agencies intend to collect this data to monitor sweep deposits that are not brokered due to the primary purpose exception to determine the supervisory and deposit insurance assessment implications of these deposits, if any.

However, the agencies note that certain sweep deposits placed by third parties with IDIs may not be classified as brokered when the third party has an exclusive deposit placement

²³ 12 U.S.C. § 1811 *et seq.*

²⁴ 79 FR 61439, 61527 (October 10, 2014).

arrangement with only one IDI.²⁵ For example, a broker dealer that is sweeping excess customer balances to only one IDI will not meet the deposit broker definition and therefore would not need to rely upon a primary purpose exception. Only reflecting exclusions related to the primary purpose exception could significantly limit the agencies' ability to monitor non-brokered sweep deposits. Therefore, to ensure a more complete collection of sweep deposits that are excluded from being reported as brokered, the agencies are proposing the following memo item in place of the proposed item above from the February 2021 notice:

- Memorandum item 1.i for total sweep deposits that are not brokered deposits.

Updates to the Glossary and instructions will provide clarifications for determining whether certain third parties that place sweep deposits at IDIs are deposit brokers and the exceptions to the definition of deposit broker.

Timing

As stated in the December 2020 notice, beginning with the June 30, 2021, Call Report, Schedule RC-O, Memorandum item 5, "Applicable portion of the CECL transitional amount or modified CECL transitional amount that has been added to retained earnings for regulatory capital purposes as of the report date and is attributable to loans and leases held for investment," would be completed only by large and highly complex institutions that have adopted ASU 2016-13 and reported having a CECL transition election in effect as of the quarter-end report date.

The new deposit-related items would be effective starting with the September 30, 2021, Call Report (FFIEC 031 and FFIEC 041), and with the December 31, 2021, Call Report (FFIEC 051). These items are Schedule RC-E, Memorandum items 1.h.(1) through 1.h.(4) and 1.i. Thereafter, these data items would be collected quarterly on the FFIEC 031 and FFIEC 041 Call Reports and semiannually on the FFIEC 051 Call Report. Beginning as of the same report date, all institutions filing the FFIEC 031 Call Report with \$100 billion or more in total assets would report deposit data in four additional items in Schedule RC-E, Memorandum items 1.h.(1)(a), 1.h.(2)(a), 1.h.(3)(a), and 1.h.(4)(a).

The agencies note that the brokered deposits final rule became effective April 1, 2021, with a mandatory compliance date of January 1, 2022. Therefore, for the September 30, 2021, Call Report dates, institutions may rely on either existing staff advisory opinions and interpretations or the new provisions in the brokered deposits final rule when assessing whether a sweep deposit is brokered for Call Report purposes. The agencies will make available on the FFIEC website redline changes to the Glossary instructions for brokered deposits.

On May 24, 2021, the agencies, under the auspices of the FFIEC, published a final notice in the *Federal Register* (86 FR 27961) requesting public comment for 30 days on the extension, with revision, of the Call Reports. The comment period for this notice expires on June 23, 2021.

²⁵ 12 CFR 337.6(a)(5).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the Call Reports is 132,205 hours, and would increase to 132,845 hours with the proposed revisions. The average estimated hours per response for Board Call Report filers would increase from 45.40 hours to 45.62 hours due to the proposed revisions. 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 1.7 percent of the Board’s total paperwork burden.

FFIEC 031, FFIEC 041, and FFIEC 051	<i>Estimated number of respondents²⁶</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	728	4	45.40	132,205
Proposed	728	4	45.62	<u>132,845</u>
<i>Change</i>				640

The estimated total annual cost to the public for the Call Reports is \$7,819,926, and would increase to \$7,857,782 with the proposed revisions.²⁷

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.

²⁶ Of these respondents, 466 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>.

²⁷ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by a annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$20, 45% Financial Managers at \$73, 15% Lawyers at \$72, and 10% Chief Executives at \$95). 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 2020*, published March 31, 2021, <http://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <http://www.bls.gov/soc/>.