

Via E-Mail (comments@fdic.gov)

P.O. Box 61
Merrifield, Virginia 22116-0061
November 24, 2023

Mr. Manuel E. Cabeza
Attn: Comments
Room MB-3128
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Subject: Call Report and FFIEC 002 Revisions

Dear Mr. Cabeza:

Thank you for the opportunity to comment on the proposal published in the [Federal Register on September 28, 2023](#), by the federal banking agencies (the agencies),¹ under the auspices of the Federal Financial Institutions Examination Council (FFIEC), to revise the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051). The Federal Register notice also includes a proposal by the Board, on behalf of the agencies, to revise the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) and the Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S). As proposed, the revisions to the Call Reports and the FFIEC 002 would take effect beginning with the March 31, 2024, report date.

Credit Losses

All institutions that file Call Reports, regardless of their fiscal year, are required to have adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 326, Financial Instruments–Credit Losses, by the December 31, 2023, Call Report date. ASC Topic 326 was added to the ASC by Accounting Standards Update (ASU) No. 2016-13, Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (ASU 2016-13).

The agencies, under the auspices of the FFIEC, described how they proposed to implement credit-loss-related changes to the Call Reports during the transition period for institutions' implementation of ASU 2016-13/ASC Topic 326 in their [initial Paperwork Reduction Act \(PRA\) Federal Register notice](#) published on September 28, 2018. This initial PRA Federal Register notice also addressed credit-loss-related proposed changes to the FFIEC 002, FFIEC 002S, and three other FFIEC reports.² For example, the form changes proposed in September 2018

¹ The agencies are the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC).

² These other FFIEC reports are the FFIEC 030, Foreign Branch Report of Condition; FFIEC 030S, Abbreviated Foreign Branch Report of Condition; and FFIEC 101, Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework.

involved such things as replacing references to the “allowance for loan and lease losses” with “allowance for credit losses” and deleting items that would no longer be applicable (including Call Report Schedule RI-C, Part I, on the FFIEC 031 and FFIEC 041) after all institutions had adopted ASU 2016-13/ASC Topic 326.

In their [final PRA Federal Register notice](#) for these changes, published on February 14, 2019, the agencies stated that “[a]fter considering these comments, the agencies will proceed with the revisions proposed in the September 2018 notice to the FFIEC 031, FFIEC 041, FFIEC 051, FFIEC 002, FFIEC 002S, FFIEC 030, FFIEC 030S, and FFIEC 101, as originally proposed, with some modification to the FFIEC 031 and FFIEC 041, as noted above.” During the time period between the publication of the agencies’ two PRA Federal Register notices, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments–Credit Losses (ASU 2018-19), which included a change in the effective date of ASU 2016-13/ASC Topic 326 for certain institutions. The FDIC’s [February 2019 Supporting Statement for the Call Report changes](#) that was submitted to the Office of Management and Budget (OMB) notes that “[b]ecause ASU 2016-13 sets three different effective dates and includes an option for early adoption, the credit loss accounting revisions to the Call Report would begin to take effect March 31, 2019, but would not be fully phased in until December 31, 2022.”³ The FDIC’s Supporting Statement includes an Appendix entitled “Schedule-by-Schedule Descriptions of the Proposed Changes to the Affected Call Report Schedules.” Where the changes described therein apply to the period over which institutions would need to implement ASU 2016-13/ASC Topic 326, they reflected the revised effective dates resulting from ASU 2018-19.

After OMB’s approval of the credit-loss-related Call Report changes addressed in the agencies’ February 2019 final PRA Federal Register notice, the FASB issued ASU No. 2019-10, Financial Instruments–Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates (ASU 2019-10), in November 2019, which further revised the effective dates of ASU 2016-13/ASC Topic 326 to their current effective dates. Under ASU 2019-10, the effective date of the credit losses accounting standard for all entities, excluding Securities and Exchange Commission filers not eligible to be smaller reporting companies, was changed to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Thus, ASU 2019-10 extended the effective dates of ASU 2016-13/ASC Topic 326 for at least one year for most institutions compared to the effective dates set forth in ASU 2018-19. As mentioned above, this means that all institutions will have been required to implement ASU 2016-13/ASC Topic 326 by December 31, 2023. Consequently, the final changes to the Call Report related to the transition period for the implementation of ASU 2016-13/ASC Topic 326 that were intended to be made by the December 31, 2022, report date (according applicable to the Appendix to the FDIC’s February 2019 Supporting Statement) should now be made.

Similarly, with respect to the FFIEC 002 and the FFIEC 002S, the agencies stated in their September 2018 initial PRA Federal Register notice that the reporting changes arising from ASU 2016-13/ASC Topic 326 would not be fully phased in until December 31, 2022. The Board’s

³ The three different effective dates were subsequently changed to two different effective dates by the FASB, as discussed in the next paragraph.

[February 2019 Supporting Statement for the FFIEC 002/FFIEC 002S reporting changes](#) reporting changes that was submitted to OMB reiterated this language.

Therefore, as a consequence of the effective date changes the FASB made in ASU 2019-10, which was after OMB approved the numerous credit-loss-related changes to the Call Reports (and the other FFIEC reports within the scope of the agencies' February 2019 final PRA Federal Register notice), I believe it would be consistent with OMB's 2019 approval for the FFIEC and the agencies to complete the implementation of the remaining credit-loss-related changes to the Call Report forms and the FFIEC 002 report form as described in the Appendix to the FDIC's February 2019 Supporting Statement and in the Board's February 2019 Supporting Statement, respectively. I would recommend that the agencies make these report form changes as of the March 31, 2024, report date.

If the agencies proceed with the changes related to ASU 2016-13/ASC Topic 326 in the Call Report forms for March 31, 2024, remaining credit-loss-related changes to the Call Report instructions discussed in the FDIC's February 2019 Supporting Statement should be incorporated into the March 2024 Call Report instruction book updates. Furthermore, the existing Call Report Glossary entry for "Allowance for Loan and Lease Losses" would be outdated and could be removed. Likewise, the section of the Call Report Glossary entry for "Securities Activities" addressing "Other-Than-Temporary Impairment (ASC Topic 320)" would be outdated and could be removed.⁴

Likewise, remaining credit-loss-related changes to the instructions for the FFIEC 002 and 002S reports discussed in the Board's February 2019 Supporting Statement, as well as the replacement of the outdated FFIEC 002 Glossary entry for "Allowance for Loan Losses" with an entry for "Allowance for Credit Losses" and an updating of the Glossary entry for "Securities Activities," should be implemented as of the March 31, 2024, report date.

In my opinion, given that all institutions are required to have implemented ASU 2016-13/ASC Topic 326 by the December 31, 2023, report date, making the remaining credit-loss-related report form changes (as well as related changes to the instructions to the Call Reports, the FFIEC 002, and the FFIEC 002S) as of the March 31, 2024, report date would result in no (or a negligible) change in reporting burden.

Leases

Another accounting standard that all institutions are required to have implemented before the December 31, 2023, report date is ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02), which added this new topic to the ASC, thereby superseding ASC Topic 840, Leases. Accordingly, I would recommend that the agencies make a lease-related technical change to the Call Report

⁴ Although the FFIEC 030 and FFIEC 030S reports are not within the scope of the agencies' September 2023 PRA Federal Register notice, the agencies' September 2018 and February 2019 PRA Federal Register notices proposed credit-loss-related changes to the instructions for these reports subject to a phase-in similar to the phase-in for the Call Reports. The FDIC's [February 2019 Supporting Statement for the FFIEC 030/FFIEC 030S changes](#) that was submitted to and subsequently approved by OMB also described these instructional changes and their phase-in. Therefore, I would recommend that the phase-in of these instructional changes, which would have no effect on reporting burden, be completed not later than the March 31, 2024, report date.

forms not later than the March 31, 2024, report date. On all three versions of these report forms, the caption for item 6 of Schedule RC, Balance Sheet, reads “Premises and fixed assets (including capitalized leases).” With the implementation of ASU 2016-02/ASC Topic 842 by all institutions, the reference to “capitalized leases” is now outdated. I would suggest replacing “capitalized leases” with “right-of-use assets” for consistency with ASU 2016-02/ASC Topic 842.

In addition, the existing instructions for Schedule RC, item 6, and the Glossary entry for “Lease Accounting” are essentially in a transition mode because they include references to accounting for leases under both the now superseded ASC Topic 840 and the currently effective ASU 2016-02/ASC Topic 842. The following other instructions also continue to contain references to ASC Topic 840: Schedule RI, item 1.b; Schedule RI, item 7.b; Schedule RC-C, Part I, items 10, 10.a, and 10.b;⁵ Schedule RC-O, item 7; Schedule RC-R, Part I, General Instructions for Common Equity Tier 1 Capital: Adjustments and Deductions; the Glossary entry for “Foreclosed Assets”; and the Glossary entry for “Revenue from Contracts with Customers.” I would recommend that the agencies remove the outdated references to ASC Topic 840 from these Call Report instructions not later than the instruction book update for March 31, 2024.⁶

The instructions for the FFIEC 002 have not been updated to incorporate guidance on lease accounting in accordance with ASU 2016-02/ASC Topic 842. Rather, these instructions continue to be based on the superseded lease accounting guidance set forth in ASC Topic 840 and do not mention ASU 2016-02/ASC Topic 842. To bring the FFIEC 002 instructions into conformity with current U.S. generally accepted accounting principles, I would recommend that the agencies revise these instructions not later than the March 31, 2024, report date by removing the outdated lease accounting guidance based on ASC Topic 840 and incorporating the currently applicable guidance from ASU 2016-02/ASC Topic 842. This could be done by drawing on relevant portions of the Call Report instructions on lease accounting that are based on ASU 2016-02/ASC Topic 842, particularly the Call Report Glossary entry for “Lease Accounting.”

Thank you for considering these comments. Please feel free to contact me if you have any questions or would like to discuss my comments further.

Sincerely,



Robert F. Storch

⁵ Schedule RC-C, Part I, items 10.a and 10.b, are not included on the FFIEC 051 version of the Call Report.

⁶ Similarly, although the FFIEC 030 report is not within the scope of the agencies’ September 2023 PRA Federal Register notice, I would recommend changing the caption for FFIEC 030 Asset Line Item 7, “Premises and fixed assets (including capitalized leases)” to “Premises and fixed assets (including right-of-use assets).” This would align the caption for Asset Line Item 7 with the caption for Call Report Schedule RC, item 6. In addition, I would recommend adding a reference to right-of-use assets to the instructions for FFIEC 030 Asset Line Item 7. Such a reference is already included in the instructions for Call Report Schedule RC, item 6, for institutions that have adopted ASC Topic 842. These recommended changes to the FFIEC 030 report form and instructions should be made not later than the March 31, 2024, report date.