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November 20, 2009

Submitted Via E-Mail

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551

Re: Proposed Agency Information Collection Activities; Comment Request; 74
Federal Register 48960; September 25, 2009; Consolidated Financial
Statements for Bank Holding Companies, **FRB**: 7100-0128

Dear Ms. Johnson:

The American Bankers Association (ABA)¹ appreciates the opportunity to comment on the proposed revisions to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C),² as issued by the Board of Governors of the Federal Reserve System (Board). The Board's proposed changes to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) include several revisions, clarifications and new items that are intended to provide additional data which the Board believes is needed to respond to changes in accounting standards and credit availability concerns. All the proposed revisions would take effect on March 31, 2010.

ABA members have expressed no concerns with many of the proposed changes. However, we urge the Board to consider including in the final revisions to the FR Y-9C the several changes suggested below. We believe these suggested changes would provide the Board with meaningful information without creating undue burden on bank holding companies. Many of our suggested changes are consistent with the ABA comment letters filed with the bank agencies on October 19, 2009, in response to similar proposed revisions to the Call Report and the Thrift Financial Report (TFR) in the agencies' requests for comment.³

¹The American Bankers Association brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than \$125 million in assets – represent over 95 percent of the industry's \$13.5 trillion in assets and employ over 2 million men and women.

² 74 *Fed. Reg.* 48960 (September 25, 2009).

³ 74 *Fed. Reg.* 41973 (August 19, 2009) (Call Report Request for Comment) and 74 *Fed. Reg.* 41981 (August 19, 2009) (Thrift Financial Report Request for Comment).

Areas in which we believe revisions to the FR Y-9C could most benefit from changes are as follows:

- **Unused Commitments:** ABA recommends that the proposed revised instructions relating to when a “commitment to issue a commitment” must be reported should require bank holding companies to report only when there is a commitment that (1) has an expiration date of greater than 90 days and (2) is in writing. ABA also requests a delayed effective date of at least six months for the provisions for reporting unused commitments to issue a commitment to allow bank holding companies sufficient time to adjust their systems.
- **Brokered Deposits:** ABA recommends replacing any breakout of time deposits and brokered deposits based on stated dollar thresholds with a requirement that bank holding companies report such deposits based upon the then-current FDIC deposit insurance coverage limit in effect at the time of the report.
- **Loss Share:** ABA requests the Board to amend the FR Y-9C to reflect situations in which a bank that is part of the bank holding company structure enters into a loss-share agreement with the FDIC.

These points, as well as additional suggestions for improving the revisions to the FR Y-9C, are set forth below.

Discussion

ABA supports the following items:

Other-than-temporary-impairment (OTTI).

The Board proposes to require new items in the FR Y-9C to identify components of OTTI losses on debt securities, including total OTTI losses for the calendar year-to-date reporting period, the portion of these total losses recognized in other comprehensive income, and net losses recognized in earnings, consistent with the presentation requirements of a recent accounting standard⁴. ABA supports these proposed revisions as a reasonable way to track the presentation requirements of that new standard.

Reformatting of loan information collected on Schedule HC-K, Quarterly Averages.

The Board proposes to reformat the reporting of loan and lease information in domestic and foreign offices on Schedule HC-K, Quarterly Averages, to be consistent with the reporting format of quarterly average loan categories on the Call

⁴ See *supra*, note 2, at 48963, wherein it states “[O]n April 9, 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Nos. 115-2 and 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2).”

Report. ABA believes these revisions will result in an accurate reporting of loan and lease information.

Loss share.

This is a new issue that has not been proposed by the Board. ABA requests the Board to revise Form FR Y-9C to address an issue of increasing importance to bank holding companies when a bank that is part of the bank holding company structure has entered into a loss-share agreement with the FDIC as a result of an acquisition of a failed bank. Currently there is no guidance from the Board or other bank agencies on how the bank holding company and the acquiring bank should report the loss-share agreement on the FR Y-9C and the Call Report. This can lead to the over-reporting of the amount of “troubled” assets by not providing the reader with a readily accessible summary of the bank holding company’s and bank’s net exposures on assets that are subject to the loss-share agreements. It would be beneficial to regulators, reporting banks, investors, and the public to have uniform guidance on how bank holding companies and banks should report the loss-share information in a consistent manner on the FR Y-9C and the Call Report, and to report more accurately the risk characteristics of the assets. This issue is complex yet time-sensitive and will become an increasingly important long-term and more common reporting issue as additional failed banks are acquired from the FDIC under a loss-share agreement.

ABA has concerns with the following items:

Unused commitments.

More information would be required for unused commitments, including information about unused credit card lines and other unused commitments, separate C & I lending commitments, commitments to fund loans to financial institutions, and a breakout of loans to nondepository financial institutions.

Instructions are clarified for unused commitments, including when a commitment to issue a commitment must be reported and when commitments have been conveyed or participated to others. The Board’s proposed revised instructions for Schedule HC-L, data item 1 for reporting unused commitments, including “commitments to issue a commitment” state:

[c]ommitments include: ... (6) Commitments to issue a commitment at some point in the future, where the bank holding company has extended terms and the borrower has accepted the offered terms, even though the related loan agreement has not yet been signed.⁵

Most of the proposed unused commitment revisions are acceptable to the ABA. However, ABA has concerns with the proposed instructions for reporting when a “commitment to issue a commitment” must be reported on the FR Y-9C.

⁵ See 74 Fed. Reg. 48964 (September 25, 2009).

- ABA recommends that the proposed revised instructions relating to when a “commitment to issue a commitment” must be reported should require bank holding companies to report only when there is a commitment that (1) has an expiration date of greater than 90 days and (2) is in writing. Our members tell us that it would be exceedingly difficult to capture commitments of a shorter duration that are not in writing. Our suggestion would apply in those situations where there has been an oral commitment greater than 90 days that is not memorialized in writing as of the reporting date. Once those specified transactions are memorialized in writing, they would be included in the amount of “commitments to issue a commitment” in the next FR Y-9C. ABA believes that these further clarifications would be an appropriate balance between the need for additional information and the need to avoid undue burden.
- ABA also requests a delayed effective date of at least six months for the provisions for reporting unused commitments to issue a commitment to allow bank holding companies sufficient time to adjust their systems to comply with the Board’s instructions on reporting a commitment to issue a commitment.

Brokered deposits.

The proposed changes would revise instructions to require reporting of brokered deposits based on their **balances** rather than the denominations in which they were issued. The Board’s proposed revised instructions to report **balances** for brokered deposits are acceptable to the ABA.

While the Board has not proposed new reporting revisions to FR Y-9C that would require a more detailed breakout for time deposits and brokered deposits based on specific dollar levels of deposit insurance coverage limit (*e.g.*, less than \$100,000, between \$100,000 and \$250,000, and greater than \$250,000), as proposed by the bank agencies for the Call Report, ABA generally recommends that any FR Y-9C breakout of time deposits and brokered deposits based on stated dollar thresholds be replaced with references to the deposit insurance limit in effect at the time of the report, without specified dollar amounts. We believe this will remove what can be an impediment to a bank holding company using the larger (but fully insured) deposits as a funding source.

Depositors now have certainty – at least through the end of 2013 – that up to \$250,000 of FDIC insurance is available for any account that is maintained in a bank holding company or a bank in a separate right and capacity. We have heard from many institutions that a consequence of the increased coverage is that they already have seen an increase in deposits from many “core” customers who now maintain balances up to the \$250,000 limit. Given that these deposits have the certainty of FDIC insurance, they are likely to be as stable as deposits below \$100,000. Drawing a distinction would suggest that there is greater volatility in deposits between \$100,000 and \$250,000. We believe this would only reinforce a

perception, reflected in conversations that several of our members have had with the bank agencies, that an institution should not rely on deposits in that range. This can have the effect of discouraging a bank holding company or a bank from pursuing stable and comparatively inexpensive funding.

Additional ABA comment:

FASB Accounting Standards Nos. 166 and 167.

The Board notes that it expects the revised accounting standards will cause a large volume of assets in bank holding company-sponsored entities associated with securitization and structured finance activities to be brought back onto bank holding company balance sheets. The Board also clarifies the continued reporting requirements by bank holding companies for numerous items following the January 1, 2010, effective date of the FASB Statements of Financial Accounting Standards Nos. 166 and 167.

ABA recommends that information required in Schedule HC-S also be required for positions of those assets now consolidated under FAS 166 and 167 that are held as securities by third parties. Additionally, any applicable allowances for loan and lease losses, as well as deferred tax assets, should be included within this Schedule. Separately identifying assets that present to the bank levels of credit and market exposure different than the risks arising from unsecuritized loans that are 100% held by the bank will assist users and regulators in assessing overall risk.

Conclusion

ABA appreciates the opportunity to comment on the Proposed Revisions included in the Request for Comment and the additional issue raised in our comments relating to the urgent need for the Board to provide uniform guidance on the method of reporting loss-share information in the FR Y-9C and bank Call Report.

Please contact the undersigned at (202) 663-5331 or kmctighe@aba.com if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "K. P. McTighe", written in a cursive style.

Kathleen P. McTighe
Senior Counsel