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

On August 15, 2016, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (81 FR 54190) requesting public comment for 60 days on the extension, with revision, of the Call Reports. The comment period for this notice expired on October 14, 2016. The agencies collectively received comments on the proposal from approximately 1,100 entities, including individuals, banking organizations, bankers' associations, and a government entity.[1] A discussion of general and specific comments on the proposed FFIEC 051 and existing FFIEC 031 and FFIEC 041 Call Reports follows below.

General Comments on the Proposed FFIEC 051

Commenters expressed mixed opinions on the proposed FFIEC 051. Approximately 25 commenters representing banking organizations, bankers' associations, and a government entity supported the effort put forth by the agencies. One bankers' association stated that the initial proposal was "a positive step in an ongoing, iterative process" that shows a "modest but material burden relief to institutions eligible to file the [FFIEC 051] report." One institution stated that the proposed FFIEC 051 would assist small banks by reducing preparation time and minimizing confusion by removing schedules related to activities in which the bank does not engage. Another commenter stated that this proposal was a good start by removing items that have no relationship with the reporting institution. Another commenter agreed with the proposal to shorten the length of the Call Report and the instructions, which would reduce the time spent reviewing updates to determine items that may or may not be applicable to the bank. One commenter stated the reduction and the removal of non-relevant data items for noncomplex institutions saves both time and money. The government entity stated it uses certain data items in the Call Report in preparing national economic reports, and encouraged the agencies to continue collecting those items.

On the other hand, the majority of commenters from banking organizations and bankers' associations responded that there was no perceived impact by adopting the FFIEC 051. Many of the banking organizations stated that the data items proposed to be removed were not reported currently by their institutions; therefore, the changes would not impact their burden in preparing the Call Report. Three of the bankers' associations stated that the agencies removed items largely not reported, and related to activities not engaged in, by community banks. Another institution responded that by making the change to the FFIEC 051, it would add burden at the conversion date with little time savings in future filings. One commenter stated that the inclusion of the supplemental schedule (Schedule SU) could actually increase burden, as banks must use the same processes or new processes to verify the data (or inapplicability) of the new supplemental items.

The agencies recognize that not all community institutions eligible to file the FFIEC 051 will see an immediate and large reduction in burden by switching to that form. Some of the items that were removed from the FFIEC 041 to create the FFIEC 051 only needed to be

[1] The agencies received approximately 100 unique letters and 1,000 form letters.

reported by institutions with assets of $1 billion or more. Other items not included in the FFIEC 051 applied to institutions of all sizes, but may not have applied to every community institution, due to the nature of each institution's activities. Approximately 100 data items would be collected at a reduced frequency in the FFIEC 051. For example, in creating the FFIEC 051, the agencies have removed from the FFIEC 041 the data items on Schedule RC-L, Derivatives and Off-Balance Sheet Items, in which the more than 700 eligible institutions that have derivative contracts have been required to report the gross positive and negative fair values of these contracts. The agencies also have reduced from quarterly to semiannually the reporting frequency in the FFIEC 051 of Schedule RC-C, Part II, Loans to Small Businesses and Small Farms, which is applicable to the approximately 5,200 institutions eligible to file the FFIEC 051, and Schedule RC-A, Cash and Balances Due from Depository Institutions, which applies to the more than 1,400 eligible institutions that have $300 million or more in total assets. Additionally, as noted earlier, the agencies are shortening the instructions associated with the FFIEC 051, so that community bankers will not need to review as many nonapplicable instructions, or the associated changes to those instructions that may occur in the future. Taken together, the agencies believe these changes are a positive step toward providing meaningful Call Report burden relief to community institutions.

A majority of the commenters that did not favor the proposed FFIEC 051 suggested the agencies adopt a "short-form" Call Report to be filed in the first and third quarters. The short-form Call Report recommended by commenters would consist only of an institution's balance sheet, income statement, and statement of changes in equity capital. The institution would file a full Call Report including all supporting schedules in the second and fourth quarters.

The agencies recognize that the information requested in the Call Report is often more granular than information presented in standard financial statements, including the notes to the financial statements, and can require refining or subdividing the information contained in accounts reported in an institution's general ledger system or core processing systems. This process may be burdensome, particularly when account balances have not materially changed from the prior quarter. However, one element that sets banking apart from other industries is the regulatory framework, particularly the provision of Federal deposit insurance and the important role of financial intermediation, which requires safety and soundness supervision and examination. A key component of bank supervision is reviewing granular financial data about an institution's activities to identify changes in those activities and in the institution's condition, performance, and risk profile from quarter to quarter that suggest areas for further investigation by the institution's supervisory agency. For example, granular data on loan categories, past due and nonaccrual loans, and loan charge-offs and recoveries[2] feed into an analysis of credit risk, while data on loan, security, time deposit, and other borrowed money maturities and repricing dates[3] feed into analyses of interest rate risk and liquidity risk. Much of this analysis occurs off-site, so an institution may not be aware of the extent of this process unless it identifies anomalies or other "red flags" at the institution. Even then, some anomalies and other "red flags" may be discussed immediately with the institution, while other concerns are flagged for investigation at the next on-site examination. The earlier that anomalies, upon immediate follow-up, are found to evidence deficiencies in risk management or deterioration in an institution's condition, the less

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[2] Reported on Schedules RI-B; RC-C, Part I; and RC-N.
[3] Reported on Schedules RC-B; RC-C, Part I; RC-E; and RC-M.

difficult it will be for the institution to implement appropriate corrective action. In this context, with full-scope on-site examinations occurring no less than once during each 18-month period for institutions that have total assets of less than $1 billion and meet certain other criteria, quarterly data are necessary for many of the data items in the Call Report in order for an institution's supervisory agency to have a sufficient number of data points to both identify and distinguish between one-time anomalies and developing trends at the institution. Moreover, the agencies note that extending the examination cycle to 18 months for certain qualifying institutions is discretionary, and the analysis of trends in a particular institution's Call Report data is a significant factor in deciding whether to exercise that discretion with respect to that institution.

In addition to supporting the identification of higher-risk situations, enabling timely corrective action for such cases, and justifying the extended examination cycle, the quarterly reporting of the more granular Call Report items also aids in the identification of low-risk areas prior to on-site examinations, allowing the agencies to improve the allocation of their supervisory resources and increase the efficiency of supervisory assessments, which reduces the scope of examinations in these areas, thereby reducing regulatory burden. While the quarterly monitoring process enabled by the more granular Call Report items historically has focused on raising "red flags," similar emphasis has also been placed on the identification of low-risk situations. A six-month reporting cycle for the more granular Call Report items would hamper the agencies' ability to form timely risk assessments and so could stymie efforts to improve the focus of on-site examinations for low-risk institutions. In this manner, an effort to reduce regulatory burden by lengthening the reporting cycle for the more granular Call Report items could limit the agencies' opportunities to reduce burden for on-site examinations.

In addition to safety and soundness data, other data items are required quarterly due to various statutes or regulations. Leverage ratios based on average quarterly assets and risk-based capital ratios are necessary under the prompt corrective action framework established under 12 U.S.C. 1831o.[4] Data on off-balance sheet assets and liabilities are required every quarter for which an institution submits a balance sheet to the agencies pursuant to 12 U.S.C. 1831n.[5] Granular data on deposit liabilities and data affecting risk assessments for deposit insurance are required four times per year under 12 U.S.C. 1817.[6]

Further, the public availability of most quarterly Call Report information from institutions that are not publicly held is desired by their depositors (particularly those whose deposits are not fully insured), other creditors, investors, and other institutions. An institution's depositors and other creditors may use quarterly Call Report information to perform their own assessments of the condition of the institution. Existing and potential investors may evaluate Call Report data to assess an institution's condition and future prospects; the absence of quarterly information could impair the institution's ability to raise capital or could limit the liquidity of the institution's shares for existing stockholders. Other institutions that engage in transactions with the reporting institution may utilize Call Report information to assess the condition of their counterparties to these transactions. In addition, some institutions use peer analysis to

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[4] Reported on Schedules RC-K and RC-R.
[5] Reported on Schedule RC-L.
[6] Reported on Schedules RC-E and RC-O.

benchmark against local competitors using data obtained from their Call Reports directly, or by using third-party vendors who often leverage information from the agencies' repository of Call Report data. For example, as part of their financial control structures, some institutions analyze their allowance for loan and lease losses (ALLL) by comparing their delinquency ratios and their ratios of ALLL to loans and leases to peer group ranges and averages.

While the agencies understand the commenters' desire for a "short-form" Call Report, for the reasons stated above, the agencies did not adopt this suggestion. In addition to the basic financial statements, the most streamlined quarterly report possible must also include quarterly data required by statute or regulation, along with quarterly data necessary for adequate supervision by the agencies. However, as part of the continuing burden reduction efforts, the agencies will continue to review the quarterly data collected in the proposed FFIEC 051 and existing FFIEC 031 and FFIEC 041 reports that go beyond the statutory or regulatory requirements or essential supervisory needs. For example, the agencies are revising Schedule RC-C, Part II, in the FFIEC 051 to reduce its reporting frequency from quarterly to semiannual for all institutions that file the FFIEC 051.

General Comments on the Call Report Initiatives

The agencies are still engaged in the statutorily mandated review of the existing Call Report data items (Full Review). The agencies are conducting the Full Review as a series of nine surveys of internal users of Call Report data within the FFIEC member entities. Proposed changes resulting from the first three surveys were included in the August 2016 proposal, and a summary of the member entities' uses of the data items retained in the Call Report schedules covered in these three surveys is included as Appendix A. The agencies are analyzing the results of four additional surveys, and still need to collect and review data from the final two surveys to determine any future proposed revisions to the FFIEC 031, FFIEC 041, and FFIEC 051. Burden-reducing reporting changes to these three versions of the Call Report from the remaining six surveys will be proposed in future *Federal Register* notices with an anticipated implementation date of March 31, 2018. The agencies described this staged approach to proposing changes to the FFIEC 031, FFIEC 041, and FFIEC 051 resulting from the Full Review in their August 2016 proposal, but asked whether it would be less burdensome to delay all the changes to the Call Report until the completion of the Full Review.

The agencies received comments about the burden reduction initiative and the Full Review. On the timing of future revisions, one commenter stated that it would not matter, while another commenter wanted the changes implemented as soon as possible. Three commenters recommended adopting all of the changes at once. These commenters stated it is more burdensome to deal with more frequent changes to the Call Report, even if those changes would reduce burden. Six commenters sought a better understanding for the agencies' use of the Call Report data items submitted by institutions. Two bankers' associations requested a published report of how the data are used either by individual line item or by schedule.

The agencies are cognizant of the burden caused by frequent changes to the Call Report, but also must consider the ongoing burden imposed until the completion of the review by collecting data items the agencies have agreed are no longer necessary. In an attempt to balance those concerns, the agencies plan to propose changes related to the user surveys in two future notices. The agencies already included the results from the first three user surveys in the August 2016 notice. The next notice would include changes from a second set of user surveys and is expected to be issued in early 2017. The last notice would include any changes from a third and final set of user surveys and is expected to be issued in late 2017. The proposed effective date for changes in both future notices would be March 31, 2018.

A significant amount of the data collected in the Call Report is used for safety and soundness purposes, especially for quarterly off-site monitoring and reviews between on-site examinations. Additional data items are required by statute or regulation. A lesser number of data items are used for consumer financial protection purposes or for specific agency missions, such as deposit insurance and monetary policy. To provide additional detail on the uses of Call Report schedules and data elements, the agencies are including, in Appendix A, a summary of the FFIEC member entities' uses of specific schedules and data items from the first three user surveys conducted in the Full Review. The agencies plan to publish similar summaries when proposing additional changes based on the results of the second two sets of Full Review surveys in future notices.

Finally, while it may not directly reduce burden at this time, as described in the August 2016 notice, the agencies will apply a set of guiding principles in evaluating potential future additions and revisions to the Call Report. Those principles are: (1) the data items serve a long-term regulatory or public policy purpose by assisting the FFIEC member entities in fulfilling their missions of ensuring the safety and soundness of financial institutions and the financial system and the protection of consumer financial rights, as well as agency-specific missions affecting national and state-chartered institutions; (2) the data items to be collected maximize practical utility and minimize, to the extent practicable and appropriate, burden on financial institutions; and (3) equivalent data items are not readily available through other means. The agencies intend to apply these principles with rigor for items proposed to be added to the Call Reports, with the goal of minimizing future burden increases.

Specific Comments on the Proposed FFIEC 051

A. Eligibility

The agencies proposed to make the FFIEC 051 available as an option to eligible small institutions. For purposes of the FFIEC 051 Call Report, the agencies proposed to define "eligible small institutions" as institutions with total assets less than $1 billion and domestic offices only. Total assets for eligibility would be measured as of June 30 each year to determine the institution's eligibility to file the FFIEC 051 beginning in March of the following year. In addition, for an institution otherwise eligible to file the FFIEC 051, the institution's primary federal regulatory agency, jointly with the state chartering authority, if applicable, may require the institution to file the FFIEC 041 instead based on supervisory needs. In making this determination, the appropriate agency will consider criteria including, but not limited to, whether the eligible institution is significantly engaged in complex, specialized, or other higher risk activities. The agencies anticipate making such determinations only in a limited number of cases.

The agencies received numerous comments on eligibility for the FFIEC 051. Eight commenters supported expanding the threshold. One commenter suggested using the FDIC's definition of a "community bank" (from the FDIC's Community Banking Study), which is based on deposit and lending activity and certain other criteria rather than solely asset size, while another commenter suggested expanding the FFIEC 051 to all institutions that do not engage in complex activities. Another commenter suggested tying the asset threshold to the definition of "small bank" under the Community Reinvestment Act (currently, $1.216 billion and indexed for inflation). Two commenters recommended using a $10 billion asset threshold, with one of those commenters suggesting that the asset threshold be automatically adjusted for inflation in the future.

At this time, the agencies are retaining their proposed $1 billion asset-size threshold to be eligible for the FFIEC 051. This threshold is consistent with one of the eligibility criteria established by Congress for community institutions to be eligible for an 18-month examination cycle rather than the standard 12-month cycle.[7] The agencies are considering other size thresholds and other eligibility criteria, such as whether relevant criteria could be developed for determining that an institution should be considered a "community" institution for Call Report purposes; however, an asset-size threshold tied to an existing statutory basis was chosen to keep the initial eligibility criteria simple and transparent, and avoid delaying the proposed March 31, 2017, initial implementation date for those eligible institutions interested in beginning to file the FFIEC 051 as of that date while the agencies evaluate additional potential eligibility criteria. The agencies plan to review additional data in determining whether to propose any changes to the initial eligibility threshold in the future. The agencies are also making one revision to the eligibility criteria to disallow advanced approaches institutions[8] from being eligible to use the FFIEC 051.[9] Even though such an institution may be under the $1 billion asset-size threshold, it is part of a consolidated banking organization with assets greater than $250 billion and as such the agencies do not believe such an institution shares the same risks as eligible small institutions.

The agencies also asked whether filing the FFIEC 051 by eligible institutions should be mandatory or optional. Six commenters supported allowing the FFIEC 051 to be optional. The agencies agree with the commenters and will continue to offer it as an option to eligible small institutions that would otherwise need to file the FFIEC 041. If an institution is eligible for and chooses to adopt the FFIEC 051, the agencies expect the institution will continue filing that version of the report going forward as long as it remains eligible.[10] If an institution's assets increase to $1 billion or more as of June 30 of any calendar year, the institution must return to filing the FFIEC 041 beginning with the first quarter of the following calendar year.

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[7] See 12 U.S.C. 1820(d), as amended by Section 83001 of the Fixing America's Surface Transportation Act, Pub. L. 114-94, 129 Stat. 1312 (2015). The $1 billion asset-size threshold for the proposed FFIEC 051 also is consistent with the incremental approach taken by Congress when increasing the threshold for the Board's Small Bank Holding Company and Savings and Loan Holding Company Policy Statement; see Pub. L. 113–250 (December 18, 2014).

[8] See 12 CFR 3.100(b) (OCC); 12 CFR 217.100(b) (Board); 12 CFR 324.100(b) (FDIC).

[9] As a consequence, the data items in Schedule RC-R that are applicable only to advanced-approaches institutions would be removed from the FFIEC 051.

[10] An institution whose assets remain below $1 billion as of June 30 of any year may choose to file the FFIEC 041 instead of the FFIEC 051 beginning with the first quarter of the following calendar year. An institution's primary federal supervisory agency may approve an institution's request to change to the FFIEC 041 in a later quarter of a calendar year on a case-by-case basis.

The agencies received three comments on the proposed reservation of authority for filing the FFIEC 051. Two commenters opposed this reservation of authority, stating that the language was too broad and would allow too much discretion to examiners to arbitrarily make institutions change their version of the Call Report. One of these commenters suggested a process where any determination by an examiner that an institution must revert to the FFIEC 041 should be automatically appealable to the agency's Ombudsman. The other commenter recommended more clearly defining and limiting the scenarios in which the agencies would consider making an institution revert to filing the FFIEC 041. The agencies acknowledge the criteria to use the reservation of authority listed in the notice could be interpreted more broadly than the agencies intended. The agencies would consider using the reservation of authority if an institution has a large amount of activity in one or more complex activities that would be reported on one of the schedules or items proposed to be eliminated in the FFIEC 051. These schedules include Schedules RC-D (trading activity), RC-L (off-balance sheet derivatives), RC-P (mortgage banking), RC-Q (fair value measurements), RC-S (servicing, securitization, and asset sale activities), and RC-V (variable interest entities). The agencies do not intend to use this reservation of authority widely, or to apply it to institutions that engage only in activities that are fully reported on the FFIEC 051. Furthermore, the exercise of the reservation of authority would require a decision by a member of the appropriate agency's senior management and would not be at the discretion of examination staff.

B. Implementation Date

The agencies proposed implementing the FFIEC 051 beginning March 31, 2017, for all eligible small institutions. Nine commenters indicated the lead time was sufficient because most of the changes between the FFIEC 041 and FFIEC 051 did not affect their institutions. Three commenters suggested delaying the implementation date. One commenter suggested setting the date at least six months from the start of the quarter in which the final changes are published. Another commenter stated a minimum of one quarter is needed after the final FFIEC 051 is approved. One institution suggested a June 30, 2017, implementation date.

The agencies believe that it is important to offer this new report form as an option as early as feasibly possible, to reduce burden for those eligible institutions that are able to switch to the FFIEC 051 beginning with the March 31, 2017, report date. The conversion to the FFIEC 051 is optional, and initial eligibility would be determined by an institution's asset size as of June 30, 2016. For an institution that qualifies to use the FFIEC 051 and desires to use that form, but is unable to do so for the March 31, 2017, report date, the institution may begin reporting on the FFIEC 051 as of the June 30, 2017, report date or in a subsequent quarter of 2017. Alternatively, the institution could wait until March 31, 2018, to begin reporting on the FFIEC 051, assuming it continues to meet the eligibility criteria.

C. Comments on Schedule RC-R, Regulatory Capital

The agencies received approximately 30 comment letters that highlighted the burden required to prepare Schedule RC-R, Regulatory Capital. The agencies received similar comments during their banker outreach efforts, as well as in comment letters submitted under a review of agency regulations required by the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA).

An institution must calculate its capital ratios quarterly pursuant to the prompt corrective action provisions of statute and the agencies' regulations. The agencies revised Schedule RC-R in March 2015 to include the data items that would be necessary for an institution to calculate its regulatory capital ratios under the agencies' revised capital rules. The greater detail of those rules requires a degree of categorization, recordkeeping, and reporting that is greater than under the previously applicable capital rules. While many of the data fields on Schedule RC-R may not be applicable to community institutions not engaged in complex activities, some community institutions do engage in activities that would need to be reported in those fields to perform the correct calculation under the capital rules. The agencies are developing responses to the concerns about the burden of the regulatory capital rules raised during the EGRPRA comment process and the associated reporting requirements on Schedule RC-R. If the agencies propose modifications to the regulatory capital rules, the agencies would also propose modifications to the associated reporting requirements on Schedule RC-R.

D. Comments on Schedule RC-C, Loans and Lease Financing Receivables

Twelve commenters emphasized Schedule RC-C as a significant contributor to the reporting burden for smaller institutions. Five banking organizations specifically highlighted Schedule RC-C, Part II, Loans to Small Businesses and Small Farms, as particularly burdensome and suggested eliminating the schedule or reducing the frequency of the data collected. During the agencies' banker outreach efforts, community institutions similarly highlighted the burden of Schedule RC-C, and particularly Part II of the schedule.

In developing the proposed FFIEC 051, the agencies removed 38 items from Schedule RC-C, Part I, that are currently reported in the FFIEC 041 and were identified as having lesser utility for institutions eligible to file the new report.

The remaining loan and lease data in Schedule RC-C, Part I, are critical inputs to assessing the safety and soundness of individual institutions through analysis of the institutions' credit risk, interest rate risk, and liquidity risk, including the identification and analysis of lending concentrations. The granularity of the loan categories is also essential for peer group analysis and industry analysis. Loan and lease information is also an important component of agency statistical models that assess the risk profile of an institution. In addition, many community institutions use the Call Report loan categories when they measure the estimated credit losses that have been incurred on groups of loans with similar risk characteristics in their calculations of the ALLL each quarter under U.S. generally accepted accounting principles (GAAP).

Finally, loan and lease information assists the agencies in fulfilling their specific missions. The Board, as part of its monetary policy mission, relies on the loan data in Schedule RC-C, Part I, to provide information on credit availability and lending conditions not available elsewhere. Loan and lease detail at all sizes of institutions is necessary for monitoring the overall health of the economy. Reducing loan detail or data frequency for smaller institutions would limit the ability to monitor credit availability and lending conditions widely, including in response to any changes in monetary policy. At times, loan availability and lending conditions may be different at smaller institutions than at larger institutions. Furthermore, Schedule RC-C, Part I, data are used to benchmark weekly loan data collected by the Board from a sample of both small and large institutions; the weekly data are used to estimate weekly loan aggregates for the banking sector as a whole to provide more timely input for the purposes of monitoring the macroeconomy.

The FDIC's deposit insurance assessment system for "established small banks" relies on information reported by individual institutions for the Schedule RC-C, Part I, standardized loan categories in the determination of the loan mix index in the financial ratios method, which is used to determine assessment rates for such institutions.

The data collected in Schedule RC-C, Part II, is based on a statutory requirement to collect data on small business and small farm loans on an annual basis and began in 1993.[11] In 2010, the FFIEC changed the reporting frequency for Schedule RC-C, Part II, from annual to quarterly. At that time, the agencies approved the more frequent collection of these data to improve the Board's ability to monitor credit conditions facing small businesses and small farms and contribute to its ability to develop policies intended to address any problems that arise in credit markets. The U.S. Department of the Treasury also identified a particular need for these data as they worked to develop policies to ensure that more small businesses and small farms would have access to credit. The Board also found the more frequent data valuable for monitoring the macroeconomy and credit availability in particular for the purposes of monetary policymaking. However, after extensive analysis by the Board, the agencies agreed in the August 2016 proposal to reduce the frequency of Schedule RC-C, Part II, to semiannually in June and December for institutions with assets of less than $50 million.

The agencies received five comments stating that Schedule RC-C, Part II, was particularly burdensome for their institutions due to the level of manual intervention required to report the data. This schedule requests the number and amount currently outstanding of existing loans in each of these categories, but categorized by the loans' original amounts. One banker noted that their bank had to manually stratify loan data into the three loan size categories for each type of loan according to the loans' original amounts, and then manually adjust for lines of credit and participations purchased and sold to accurately report the amount currently outstanding. One bank questioned how valuable the small business and small farm loan data are for setting monetary policy, particularly since the Board had been setting monetary policy for many years before the FFIEC began requiring quarterly data in 2010 and also because the Call Report data collected in Schedule RC-C, Part II, does not capture significant nonbank funding sources for small businesses such as credit cards and vendor financing. The agencies received similar comments about burden from banker outreach efforts conducted by the FFIEC member entities and through the EGRPRA process. After additional review, the Board has determined that semiannual reporting by all institutions filing the FFIEC 051 would be of sufficient frequency to meet their data needs. Therefore, the agencies will collect this loan information from all institutions filing the FFIEC 051 in the June and December quarterly reports only.

[11] See Section 122 of the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. 102-242.

E. Coordination with Other Reports

Two commenters from multibank holding companies stated that the FFIEC 051 does not provide any relief for their institutions, because many of the items removed from the FFIEC 041 must still be reported on the holding company's FR Y-9C[12] report and therefore must still be collected at the bank level. One of these commenters noted that unless all banks in a multibank holding company can use the FFIEC 051, likely none of them will, as it may be more difficult to consolidate the information from different Call Report forms when completing the FR Y-9C. The Board notes that for most holding companies with total assets less than $1 billion, the holding company can file the FR Y 9SP, which does not require data being removed from the FFIEC 051. For holding companies with total assets of $1 billion or more, the FR Y-9C does require a significant amount of information that is being removed from the FFIEC 051. The Board believes this information is necessary on the FR Y-9C, even if the activity is spread among multiple subsidiary institutions, some of which may have assets less than $1 billion, for the effective supervision of the consolidated holding company. In those cases, the holding company and its subsidiary institutions can best determine whether there is any burden saved at the institution level by filing the FFIEC 051 rather than the FFIEC 041.

Four commenters stated that the agencies should reduce duplication between the Call Report and other regulatory reports collected by the agencies. Commenters noted perceived duplication of one or more data items with the following reports: FR 2900,[13] FR 2644,[14] the FDIC's annual Summary of Deposits survey,[15] and loan data provided to the institution's Federal Home Loan Bank for access to advances. The agencies do not believe data collected in these collections are duplicative of Call Report data. The FR 2900 collects select data on cash and deposit liabilities for reserve requirement purposes, from most institutions on a weekly basis, which may not coincide with the reporting date for the Call Report. The FR 2644 collects data on loans, securities, and borrowings from a small sample of banks on a weekly basis, which may not coincide with the reporting date for the Call Report. The FDIC's Summary of Deposits survey collects data on deposits stratified by branch location from institutions with branch offices annually as of each June 30. Deposit data categorized by branch location is not available elsewhere. The Federal Home Loan Banks are not government agencies, and any data they may collect in connection with various lending programs are not readily available for use by FFIEC member entities.

Proposed Call Report Revisions to the FFIEC 031 and the FFIEC 041

The agencies proposed revisions to some of the schedules in the FFIEC 031 and FFIEC 041 Call Reports in response to the findings of the first three user surveys at FFIEC member entities conducted under the Full Review. Specifically, the following schedules in the FFIEC 031 and FFIEC 041 versions of the Call Report would have data items removed or subject to new or higher reporting thresholds as a result of these surveys (see Appendices C and

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[12] Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128).

[13] Report of Transaction Accounts, Other Deposits, and Vault Cash (FR 2900; OMB No. 7100-0087).

[14] 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).

[15] Summary of Deposits (OMB No. 3064-0061).

D for a complete listing of the affected data items based on the September 30, 2016, FFIEC 031 and FFIEC 041 Call Reports, respectively):

- Schedule RI – Income Statement
- Schedule RI-B – Charge-offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses
- Schedule RC-C – Loans and Lease Financing Receivables
- Schedule RC-E – Deposit Liabilities
- Schedule RC-M – Memoranda
- Schedule RC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets

The agencies did not receive any comments on the specific changes to the FFIEC 031 and FFIEC 041 in the proposal, and plan to implement those changes as proposed.

Additional Suggested Revisions

Twelve commenters recommended additional specific changes for the agencies to consider on various schedules of the Call Report. Many of these commenters did not direct their comments at a specific version of the Call Report, so the agencies considered these comments to improve both the existing FFIEC 031 and FFIEC 041 Call Reports and proposed FFIEC 051.

One commenter suggested the agencies revise Schedule RI-C (Disaggregated Data on the Allowance for Loan and Lease Losses) to align with the loan categories reported on Schedule RC-C, Part I. The agencies did not adopt this suggestion. Aligning the categories would require collecting additional granular data on Schedule RI C, adding approximately 20 categories and 60 total items. The agencies proposed collecting disaggregated ALLL data for key Schedule RC-C, Part I, loan categories when they proposed to add Schedule RI-C to the Call Report in 2011. However, commenters on that proposal questioned the reporting of ALLL data for these key Call Report loan categories. They recommended reducing the number of loan categories and using broader portfolio segments that would better align with their loan loss allowance methodologies, which the agencies did in the final implementation of Schedule RI-C in 2013. The agencies do not believe that changing the schedule to require additional granularity of data is necessary for the supervision of the institutions to which this schedule is currently applicable. In this regard, the agencies do not collect Schedule RI-C from institutions with assets less than $1 billion and it would not be included in the FFIEC 051.

Three commenters suggested revisions to Schedule RI-E (Explanations). One commenter suggested adjusting the criteria to separately disclose individual components of other noninterest income and other noninterest expense. The agencies' current criteria require separate disclosure if a component within one of those income statement categories is greater than $100,000 and 3 percent of the total balance of that category.[16] The commenter suggested adjusting the criteria to the greater of $100,000 and 5 to 7 percent of the total balance. Another commenter suggested

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[16] Prior to 2001, the agencies required separate disclosure of components greater than 10 percent of all other noninterest income or other noninterest expense. In 2001, the agencies revised the threshold to 1 percent of total interest income plus total noninterest income. In 2008, the agencies changed the threshold to 3 percent of other noninterest income or other noninterest expense with a $25,000 floor. The floor was raised to $100,000 effective September 30, 2016, while retaining the percentage threshold.

reporting Schedule RI-E detail on other noninterest income and other noninterest expense annually on the December 31 Call Report, as the commenter stated the data are primarily useful on an annual rather than quarterly basis. Another commenter suggested providing definitions for each of the components of other noninterest income and other noninterest expense for which preprinted captions are provided in Schedule RI-E. The agencies plan to review the threshold for separately disclosing individual components and the frequency of the data collection as part of the ongoing Full Review. The agencies do not plan to provide specific definitions for the components of other noninterest income and other noninterest expense represented by preprinted captions. The agencies added preprinted captions for these components to assist all institutions, including community institutions, as they were the most frequently disclosed components. Not having preprinted captions for such components would necessitate each institution manually entering its own captions for those components of other noninterest income and other noninterest expense exceeding the reporting threshold. However, the agencies do not want to impose a regulatory definition for these individual components, which could require institutions to adjust their internal definitions to line up with the agencies' definitions. The agencies use this information primarily for the supervision of individual institutions rather than for peer group comparison, so imposing uniform definitions across institutions is not necessary for supervisory review. Detailed lists of components of other noninterest income and other noninterest expense can be found in the instructions for Schedule RI, items 5.1 and 7.d, respectively. The agencies plan to clarify the instructions for these two Schedule RI data items to better indicate the linkage between the components of other noninterest income and other noninterest expense listed in these instructions and the preprinted captions provided in Schedule RI-E.

One commenter suggested the agencies review the intangible asset breakout on Schedule RC, item 10, and Schedule RC-M, item 2, and suggested combining goodwill and other intangible assets on Schedule RC. The agencies need additional time to consider this request, and will consider it within the next set of proposed Call Report revisions.

Six commenters stated that Schedule RC-E (Deposit Liabilities) and RC-O (Other Data for Deposit Insurance and FICO Assessments) were particularly burdensome and suggested simplifying or consolidating the deposit data on these schedules. Some commenters specifically noted the breakout of deposit information by source, use, and balance as time-consuming, especially for Memorandum items 1 through 4 on Schedule RC-E. Two commenters noted that the FDIC's deposit insurance assessments currently are calculated based on average total assets and average tangible equity, so the deposit data is not necessary for the vast majority of banks.[17] Three commenters also questioned why the agencies maintain a stratification of certain deposits in Schedule RC-E into those with balances less than \$100,000, \$100,000 through \$250,000, and more than \$250,000 even though the deposit insurance limit is currently \$250,000, and stated this stratification was particularly burdensome as it required a significant amount of manual intervention. Two commenters stated that separating out Individual Retirement Accounts (IRA) data from general deposits on Schedule RC-O was particularly burdensome, with one commenter noting their bank had to further identify and separate out Coverdell Education Savings Accounts (formerly called Education IRAs) from the bank's other IRA account balances to add back to the non-retirement accounts.

[17] Deposit data affects the assessments at certain institutions, such as bankers' banks and custodial banks.

Schedule RC-E categorizes deposits based on source (brokered or non-brokered) and type of account (time deposit, demand deposit, savings deposit), and by deposit size within certain of those categories. The reporting of deposit data for some of these categories is required by statute.[18] Reporting of time deposits with balances less than $100,000 in Schedule RC-E, including certain Memorandum items to adjust that amount, is tied to the Board's measurement of the money supply.[19] Schedule RC-O, Memorandum item 1, categorizes deposits based on purpose (for retirement or not for retirement) and subdivided by deposit size, as the deposit insurance limit applies separately to retirement and non-retirement accounts. These deposit data also are necessary for the FDIC to calculate the reserve ratio each quarter, which is the ratio of the net worth of the Deposit Insurance Fund (DIF) to the aggregate estimated insured deposits.[20] The agencies previously approved revisions to Schedule RC-E (and Schedules RI and RC-K) to replace most segmentations of deposits less than $250,000 that are not needed to calculate the money supply with segmentations based on deposits of more than $250,000 for consistency with the deposit insurance limits currently in effect. These revisions will be implemented beginning March 31, 2017.[21] The agencies are not making any revisions to the classification of Coverdell accounts, as the reporting of deposits by purpose is tied to the FDIC's provision of deposit insurance.

One commenter stated that the data on Schedules RC-F (Other Assets) and RC-G (Other Liabilities) did not change significantly for community banks from quarter to quarter and should be reported annually instead. The agencies did propose reducing the frequency by which institutions must report the significant components of all other assets and all other liabilities on these two schedules to semiannual in the FFIEC 051 in the August 2016 notice. The agencies will be considering both the data items and frequency of reporting for these two schedules for all versions of the Call Report in the Full Review, and will consider the commenter's suggestions in that process.

One commenter stated that Schedule RC-K (Quarterly Averages) was particularly burdensome, as the bank's general ledger provides point-in-time amounts and manual intervention is needed to calculate quarterly averages. The agencies note that average total assets is necessary for various purposes, including prompt corrective action and deposit insurance assessments.[22] The agencies will be considering both the data items and frequency of reporting for this schedule in the Full Review, and will consider the commenter's suggestions in that process.

Three commenters stated that Schedule RC-L (Derivatives and Off-Balance Sheet Items) was particularly difficult to complete, as some items defined in that schedule do not align with definitions for similar items in Schedule RC-R, particularly for over-the-counter (OTC) derivatives. The commenters also noted certain items included in Schedule RC-L, such as "commitments to make a commitment," are difficult to define and track. One commenter suggested lining up the loan commitment categories on Schedule RC-L with the loan categories

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[18] For example, 12 U.S.C. 1817(a)(5) and (9).
[19] See definition of M2, https://www.federalreserve.gov/faqs/money_12845.htm.
[20] See 12 U.S.C. 1813(y)(3).
[21] See 81 FR 45357 (July 13, 2016).
[22] See 12 U.S.C. 1831o and 12 CFR 327.5.

on Schedule RC-C, Part I. The agencies are investigating alternatives to the current definitions in Schedule RC-L, and whether they can be more closely aligned with definitions used in the agencies' regulatory capital rules, which is the basis for Schedule RC-R, for inclusion in a future notice. The agencies do not plan to align the loan categories between Schedules RC-L and RC-C, Part I. The loan categories on Schedule RC-C, Part I, are much more granular than in Schedule RC L. Reducing the granularity of categories on Schedule RC-C, Part I, would impair the agencies' ability to use that data for safety and soundness monitoring, while increasing the granularity on Schedule RC-L would impose additional burden to collect items the agencies do not believe are necessary.

One commenter recommended reducing the frequency of certain data items in Schedule RC-M (Memoranda) to annual. Specifically, items 7 through 9, 11, and 12 do not change from quarter to quarter at the commenter's bank. Item 7 collects data on assets under management in proprietary mutual funds and annuities. Item 8 collects information on an institution's internet website addresses and trade names. Item 9 asks about internet website transactional capability. Items 11 and 12 collect information on certain bank powers. The agencies proposed in the August 2016 notice to reduce the frequency for items 7, 9, 11, and 12 from quarterly to annual. The agencies will continue collecting item 8 on a quarterly basis to provide more accurate, timely, and complete information to the FDIC, depositors, and the general public on the insured status of entities identifying themselves as FDIC-insured depository institutions than would occur through annual reporting.

One commenter requested that the agencies add control totals to Schedule RC-N for past due and nonaccrual loans, leases, and other assets to allow easier validation of the accuracy of the reported data to the institution's own records. The agencies also noted during their on-site banker outreach efforts that some institutions appended their own control totals on this form. The agencies agree with the suggestion, and plan to revise Schedule RC-N on the FFIEC 031, FFIEC 041, and FFIEC 051. For the same reason, the agencies will also revise Schedule RC-C, Part I, and Schedule RC-N to add control totals for troubled debt restructurings in Memorandum item 1 of each schedule. While these changes would add additional data items to these two schedules, the data items would be simple mathematical totals of existing data items and would not require the institution to obtain any additional data.

Five commenters requested that the agencies improve the clarity and usefulness of the Call Report instructions and highlight any changes made to the instructions each quarter. One commenter also recommended improving internal consistency within the Call Report. The agencies agree that the current Call Report instructions could be made more useful, and will start by incorporating hyperlinks to cited documents in the instructions for the FFIEC 051.[23] In addition, the agencies will post "redlined" documents on the FFIEC website that clearly indicate any changes to the instructions made since the previous quarter in both versions of the Call Report instructions. The agencies note that the description in the Call Report forms and instructions for "loans and leases, net of unearned income" and "loans and leases held for investment" are intended to have the same reported amounts. Accordingly, the agencies will replace the former description with the latter description in affected data item captions and

[23] The agencies have already begun to add such hyperlinks to the existing set of instructions for the FFIEC 031 and FFIEC 041.

related instructions for clarity and internal consistency. The agencies will continue to consider additional changes to improve the clarity and usefulness of the Call Report instructions and the internal consistency of the report.

Burden Estimates

The agencies received ten comments on the burden estimates. One commenter recommended including time to review instructions for the applicable form, even if data items in that form are not applicable to the institution. The agencies also received comments from institutions with estimates of the time it takes their institutions to prepare the current FFIEC 041 Call Report. The majority of these estimates ranged from 40-80 hours per quarter, with one response of 268 hours per quarter. Three commenters stated that preparing the Call Report costs approximately $1,000 annually for software. In response to the comments on methodology, the agencies have revised their calculation for their burden estimates. In addition to the estimated time for gathering and maintaining data in the required form and completing those Call Report data items for which an institution has a reportable (nonzero) amount, which have been included in the agencies' burden estimates, the revised methodology incorporates time for reviewing instructions for all items, even if the institution determines it does not have a reportable amount. The agencies have also added estimated burden hours for verifying the accuracy of amounts reported in the Call Report. As stated earlier, the agencies are also separating the estimated burden by type of report, to highlight the estimated burden reduction between the FFIEC 041 and FFIEC 051 reports. While the agencies' burden estimates are on the lower end of the ranges provided by commenters, these estimates are based on average times to complete each data item factoring in the varying levels of automation versus manual interventions that exist across institutions for every data item.

One commenter estimated that the incremental burden associated with the one-time conversion from the FFIEC 041 to the FFIEC 051 would be approximately 160 hours, primarily for training, and approximately $350 for software. Due to the various factors that could affect the time and cost of switching to the FFIEC 051, including training needs, the type of existing systems and automation at an institution, and any cost from software vendors to enable an institution to file the new form, the agencies have not provided an estimate of this conversion burden. The agencies reiterate that adopting the FFIEC 051 form is optional, and each institution should weigh the estimated time savings from using that form with the one-time burden to switch to the FFIEC 051 from the FFIEC 041.

On January 9, 2017, the agencies published a final notice in the *Federal Register* (82 FR 2444).