

Via Electronic Submission

March 5, 2018

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

Re: Agency Information Collection Activities; Comment Request; Financial Statements for Holding Companies FR Y-9C and FR Y-9LP

Dear Ms. Misback:

The American Bankers Association,¹ appreciates the opportunity to comment on the proposed revisions to the FR Y-9 series of reports (the Proposal). Specifically, the FR Y-9C is a quarterly report filed by bank holding companies (BHC), savings and loan holding companies (SLHC), U.S. intermediate holding companies (IHC), and securities holding companies (SHC). The FR Y-9C collects consolidated financial data, used to assess and monitor the financial condition of holding company organizations, which may include parent, bank, and nonbank entities. Under the Proposal, the Federal Reserve would implement a number of revisions to the FR Y-9 series of reports to better align them better with the Call Report.

In 2014, the Federal Financial Institution Examination Council (FFIEC) launched a formal initiative to identify and reduce the burdens associated with the Call Report.² The FFIEC subsequently modified the Call Report through a series of proposals. We appreciate the Federal Reserve's efforts to catch-up to the FFIEC, and we strongly support the aim of aligning the FR Y-9 series with the Call Report. Failing to align the reports would create significant confusion and burden for both banking organizations and report users and would undermine regulatory relief efforts made by the FFIEC. We note that a few differences remain between the Call Report and the FR Y-9 series, as reflected in the most recent notices. Appendix A lists differences between FR Y-9C and Call Reports as a result of recent proposals for changes to both reports, and Appendix B requests clarification on several line items across the FR Y-9 series.

¹ The American Bankers Association is the voice of the nation's \$17 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$13 trillion in deposits, and extend nearly \$10 trillion in loans.

²80 FR 56539 (September 2015).

Enhancing the Process for Making Changes to Reporting

We urge the Federal Reserve to synchronize any changes to the FR Y-9 and the Call Report as the Call Report is adjusted in the future, allowing sufficient time for institutions and their data providers to implement the necessary systems changes. As ABA recommended in our comment letter to the FFIEC,³ in order to provide banks necessary time to implement systems updates, as well as to avoid numerous iterations of impact assessments and implementation efforts, we recommend that, to the extent possible, reporting changes be implemented only in the March report, with changes proposed and finalized by the end of the previous third quarter. This schedule would offer predictability as well as allow sufficient time for banking organizations to update, test, and validate systems to begin data collection on January 1. This proposed timing is of particular importance for incorporating changes to the income Schedules of the FR Y-9. Implementing changes at the beginning of the reporting year rather than in a later period allows institutions to provide consistent quarterly reporting throughout the year, thereby reducing operational challenges in manually compiling a year-to-date break-out of changes.

We also urge the Federal Reserve to conduct a comprehensive review of the myriad of reports it requires banks and their affiliates to file. Similar to the FFIEC's initiative, an effective review would include identification and removal of obsolete, overlapping, or unnecessary line items, and a review of the threshold indicators (such as size and complexity) that institutions should meet before they are required to provide data on various products and activities. We encourage the Federal Reserve to work with the banking industry to ensure that future changes to Federal Reserve reporting requirements are implemented efficiently and without unnecessary inconsistencies with other bank and bank holding company reporting requirements. As part of this effort, we recommend that the Federal Reserve establish an industry Task Force or Advisory Committee to help identify reporting outdated and overlapping items as well as burdens stemming from the numerous reports banks submit to the Federal Reserve. We believe that such a consultative body could also act as a sounding board for future material changes.

Specific Comments on the Proposal

We have several technical comments on the Proposal in addition to those described in the Appendices, including particularly the following two examples of inconsistencies in the proposed instructions.

- Definition of "Past Due". The proposed revisions to the FR Y-9C instructions would remove from the definition of "Past Due" in Schedule HC-N the following text:

“(2) Open-end credit such as charge-card plans, check credit, and other revolving credit plans are to be reported as past due when the customer has not made the minimum payment for two or more billing cycles.”

³ ABA comment [letter to FFIEC on proposed changes to the Call Report, January 2018](#)

The removal of this text would make the FR Y-9C inconsistent with the Call Report. We believe such a change frustrates the overall objective of aligning the FR Y-9 series with the Call Report, and so we believe that the text should not be removed. We note with appreciation the Agencies' responsiveness to feedback on the proposed changes to the "Past Due" definition in the Call Report.

- Reporting of dividend income. The proposed instructions for Schedule HI – Consolidated Income Statement, line item 1.g. Other interest income, do not currently align with those of the Call Report. We recommend revising the instructions to state explicitly that institutions should include dividend income in the line item. This revision would align the Call Reports and FR Y-9C, and it would account for the revised line item caption "Equity investments without readily determinable fair values."

Pending Financial Accounting Standards Board (FASB) Changes Affecting the FR Y-9 Series

We would also like to take this opportunity to bring to your attention two pending potential differences between regulatory reporting and U.S. Generally Accepted Accounting Practices (GAAP). The attention of the Federal Reserve, together with that of the FFIEC, to these inconsistencies would be appreciated.

Leasing:

In February 2016 the FASB issued ASU 2016-02, Leases. This guidance is applicable for fiscal years beginning after December 15, 2018, for holding companies that are public business entities, with early adoption allowed.

The new standard requires lessees to record a right-of-use (ROU) asset and a lease liability on the balance sheet for operating leases. (Finance lease accounting for lessees remains similar to current practice.) As per the December 2017 Supplemental Instruction to FR Y-9C, which states that upon implementation of the new FASB leases standard the ROU asset should be reflected in Schedule HC, item 6, Premises and fixed assets, and the related lease liability should be reflected in Schedule HC-M, item 14, Other borrowed money, consistent with the current FR Y-9C instructions for reporting lessee capital leases. However, under the new accounting standard, operating lease ROU assets and operating lease liabilities should generally not be reported in the same line as finance lease assets and liabilities. This creates a seemingly unnecessary conflict between regulatory reporting and U.S. GAAP reporting.

Pensions:

Effective January 2018, the U.S. GAAP accounting for pension expenses follows ASU 2017-07, Compensation—Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. However, the related changes required under ASU 2017-07 are not referenced in the December 2017 Supplemental Instruction to the FR Y-9C as upcoming changes.

Under ASU 2017-07, only the service component of defined benefit pension costs should be reported as part of salaries and employee benefits. All other components of defined benefit pension costs should be reported in a different line item. The current FR Y-9C glossary guidance on defined benefit postretirement plans indicates that institutions should follow GAAP in the measurement of net period benefit cost of a defined benefit plan and report these in Schedule HI, item 7.a., Salaries and employee benefit. However, the line item instructions to Schedule HI, line item 7.a. explicitly include the interest component as part of the compensation expense, which is inconsistent with the revised US GAAP guidance. This also appears to create an unnecessary conflict between regulatory reporting and U.S. GAAP.

If you have any questions about these comments, please contact Alison Touhey at (202) 663-5182 or atouhey@aba.com.

Sincerely,

A handwritten signature in dark ink, appearing to read "Alison T.", with a long horizontal flourish extending to the right.

Alison Touhey
Vice President & Senior Regulatory Advisor

Appendix A - Differences between FR Y-9C and Call Report as a result of recent proposals for changes to both reports

I. Draft Call Report Instructions (FFIEC 031 & FFIEC 041) as of January 3, 2018 Revisions that are not included in the proposed revisions to the FR Y-9C Instructions as of January 2, 2018:

a. Schedule RC – Balance Sheet, Item 1.b “Interest-bearing balances”

The Call Report instructions for Schedule RC, line item 1.b, Cash and balances due from depository institutions: Interest-bearing balances, have been enhanced to clarify that investments in money market mutual funds are to be reported as investments in equity securities and explicitly excluded from reporting in line item 1.b. In combination with changes made to Schedule RC-B, line item 7, Investments in mutual funds and other equity securities with readily determinable fair values, this clarifies that, for entities that have adopted ASU 2016-01, such investments should be reported on Schedule RC in the new line item 2.c., Equity securities with readily determinable fair value not held for trading. We believe that these enhanced instructions to Schedule RC, line item 1.b. are very helpful and recommend that they should also be included in the equivalent FR Y-9C instructions.

b. Schedule RC-B – Securities, Item 7 “Investments in mutual funds and other equity securities with readily determinable fair values”

The Call Report instructions for Schedule RC-B, line item 7, Investments in mutual funds and other equity securities with readily determinable fair values, have minor revisions to include “U.S.” in the name of the Securities Exchange Commission and to replace the Pink Sheets LLC with “OTC Markets Group Inc.” These revisions are applicable to the guidance regarding where readily determinable fair value prices or quotations can be found. We recommend that this enhanced instruction to Schedule RC-B, line item 7 should also be included in the equivalent FR Y-9C instructions.

c. Schedule RC-D – Trading Assets and Liabilities, Memorandum Item 7 “Equity securities”

The language in the instructions for the Call Report, Schedule RC-D, Memorandum item 7, Equity securities, has been enhanced to clarify that equity securities outside the scope of ASC Topic 320 are to be included if they are held for trading. The equivalent FR Y-9C instructions do not contain this clarified language. The first sentence of the instructions for the equivalent FR Y-9C line item does state equity securities held for trading should be reported, however, we recommend that the text of the instructions be aligned with the Call Report instructions for consistency and clarity across reports.

d. Schedule RC-R, Part II – Risk Weighted Assets, Item 2.b “Available-for-sale securities”

The Call Report instructions for Schedule RC-R, Part II, line item 2.b, “Available for sale securities”, have been enhanced to change the line item caption to “2.b Available-for sale debt securities and equity securities with readily determinable fair values not held for trading” and the language in the instructions has been updated to reflect the changes to reporting of equity securities resulting from ASU 2016-01. The various revisions to these instructions contain additional instructions related to the new line item 2.c., “Equity securities with readily determinable fair value not held for trading”, in Schedule RC. The FR Y-9C instructions contain the same line item caption revision to the Schedule HC-R, Part II, Item 2.b, however, the FR Y-9C draft instructions do not contain the same additional instructions related to the new line item. We recommend that the FR Y-9C instructions should be aligned with the enhanced instructions to Schedule RC-R, Part II, line item 2.b.

II. Proposed revisions to the FR Y-9C Instructions as of January 2, 2018 with differences to the Draft revisions to the Call Report Instructions (FFIEC 031 & FFIEC 041) as of January 3, 2018:

Differences noted in revisions on draft instructions and reporting form:

a. Schedule HC-D – Trading Assets and Liabilities, General Instructions

The reporting threshold in the Call Report instructions to Schedule RC-D, General Instructions, has been revised to capture banks that reported total trading assets of \$10 million or more in any of the four preceding calendar quarters, and all banks meeting the FDIC’s definition of a large or highly complex institution for deposit insurance assessment purposes. Additionally, a new reporting threshold was introduced for Schedule RC-D, Memorandum items 2 through 10, of banks with \$10 billion or more in total trading assets. The Call Report draft reporting form also contains these reporting threshold revisions. The FR Y-9C proposed instruction revisions align with the Call Report dollar amount threshold increases, however, do not contain the language for meeting the FDIC criteria. We recommend that the enhanced Call Report instructions for Schedule RC-D, should be included in the equivalent FR Y-9C instructions.

b. Schedule HC-K – Quarterly Averages, Item 4.a, “Trading Assets”

The reporting threshold in the Call Report instruction to Schedule RC-K, line item 7, Trading Assets, has been revised to capture banks with total trading assets of \$10 million or more in any of the four preceding calendar quarters, and all banks meeting the FDIC’s definition of a large or highly complex institution for deposit insurance assessment purposes. The Call Report draft reporting form also contains this reporting threshold revision. The FR Y-9C proposed instruction revisions for the corresponding line item 4.a on Schedule HC-K, aligns with the Call Report dollar amount threshold increases, however, do not contain the language for meeting the FDIC criteria. We recommend that the enhanced Call Report instructions for Schedule RC-K, line item 7, should be included in the equivalent FR Y-9C instructions.

- c. Schedule HC-M – Memoranda, Item 12.d, “*Intangible assets other than goodwill: Total (sum of items 12.a, 12.b and 12.c) (must equal Schedule HC, item 10.b)*”

As part of the revisions to the Call Report, Schedule RC-M, line item 2.d, Intangible assets other than goodwill: Total, a new micro data reference manual (MDRM) (RCFD 2143) has been introduced for the line item on the Call Report draft reporting form. The new MDRM is not on the FR Y-9C draft reporting form revisions for the equivalent line item 12.d on Schedule HC-M. We recommend that the FR Y-9C Form and the Call Report form be aligned.

- d. Schedule HC – Balance Sheet, Item 2.c, Equity securities with readily determinable fair values not held for trading

The FR Y-9C instructions have been revised for a new line item 2.c on Schedule HC in alignment with the Call Report instructions, but the instructions exclude the extended detail defining trading activities.

The below paragraph on the definition of trading activities is included in the current instructions to the Call Report to Schedule RC-D – Trading Assets and Trading Liabilities, in the ‘General instructions’ section and has also been included in the proposed final instructions to the Call Report, Schedule RC, line item 2.c.

“*Trading activities typically include (a) regularly underwriting or dealing in securities; interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts; other financial instruments; and other assets for resale, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, and (c) acquiring or taking positions in such items as an accommodation to customers or for other trading purposes.*”

We note that while the current FR Y-9C instructions for Schedule HC-D – Trading Assets and Liabilities, General Instructions, include the same paragraph in line with the Call Report, the instructions to Schedule HC, line item 2.c have not been enhanced to include the same guidance as the Call Report. We recommend that the detailed definition of trading activities should also be included in the FR Y-9C, Schedule HC, line item 2.c, instructions to align with the Call Report instructions.

- e. Schedule HC-K – Quarterly Averages, Item 5, “*Total consolidated assets*”

The FR Y-9C, Schedule HC-K, line item 5 instructions have been enhanced to reflect the changes in reporting of equity securities related to the adoption of ASU 2016-01. The instructions include the following guidance:

“For holding companies that have not adopted FASB Accounting Standards Update No. 2016-02 (ASU 2016-01), which includes provisions governing the accounting for investments in equity securities, including investment in mutual funds, and eliminates the concept of available-for sale equity securities (see the Note preceding the instructions for Schedule HC, item 2(c), report the quarterly average for the fully consolidated holding company’s total assets (as defined for Schedule HC, item 12, ‘Total assets’) except that this quarterly average should reflect

- All debt securities not held for trading at amortized cost;
- Available-for-sale equity securities with readily determinable fair values not held for trading at the lower of cost or fair; and
- Equity securities and other equity investments **with** [emphasis added] readily determinable fair values not held for trading as defined for “Total assets,” report such securities and investments at their balance sheet carrying values not held for trading at historical cost.

This exception for equity securities and other equity investments does not apply to those accounted for under the equity method or that result in consolidation.”

We believe that the third bullet in these instructions should be revised as follows:

Equity securities and other equity investments **without** readily determinable fair values not held for trading ~~as defined for “Total assets,” report such securities and investments at their balance sheet carrying values not held for trading at~~ historical cost.

This would clarify the instructions and also align with the equivalent Call Report instructions.

Appendix B Items in need of clarification

FR Y9

Schedule HC-B – Securities, Item 5.b.(3) “Hybrid Structured financial products”

Line item 5.b.(3), Hybrid Instruments, has been removed from the draft reporting form but has not been removed from the revised draft instructions.

Schedule HC-D, Memorandum items 2 through 10.

Please clarify the new reporting threshold for Schedule HC-D, Memorandum items 2 through 10. Under the revised instructions to Schedule HC-D, Memorandum items 2 through 10 and in line with the revised Call Report instructions, these line items are “to be completed by holding companies with \$10 billion or more in total trading assets”. However, the redline of the draft FR Y-9C reporting form for this schedule set a reporting threshold only for Memorandum items 2.a and 2.b., which are “to be completed by holding companies with \$10 billion or more in total trading assets in any of the four preceding calendar quarters”. Please clarify if the reporting threshold applies to Memorandum items 2 through 10 in line with the Call Report instructions, or only to Memorandum items 2.a. and 2.b. Please also clarify if the threshold is a point in time threshold as indicated in the instructions to both Call Report and FR Y-9C, or if reporting is also required if the threshold is met in any of the four preceding calendar quarters.

Please clarify these items to help ensure correct reporting.

FR Y-9LP

We would also appreciate if you could clarify the following items in the instructions and form for the FR Y-9LP to ensure correct reporting:

- 1) On Schedule PI-A - Cash Flow Statement, line item 2d, Equity in extraordinary items of subsidiaries, is removed from the draft form and indicated as “Not Applicable”, however there is no such change in the draft instructions.
- 2) On Schedule PC, Balance Sheet, line item 4.c Loans, net of unearned income (sum of items 4.a(1) and 4.a(2) minus item 4.b) and line item 4.f Loans and leases, net of unearned income and allowance for loan and lease losses (sum of items 4.c and 4.d minus item 4.e) has updated captions on the draft forms but the updated captions are not carried over in the draft instructions.
- 3) The change in wording for the updated captions for line items 4.c and 4.f mentioned in item 2 above are not consistent. Line item 4.c is updated to read Loans, held for investment and held for sale (sum of items 4.a(1) and 4.a(2) minus item 4.b) whereas line item 4.f is updated to read Loans and leases held for investment and held for sale, **net of** allowance for loan and lease losses (sum of items 4.c and 4.d minus item 4.e).