

January 8, 2018

Submitted Electronically

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW., Suite 3E-218,
Mail Stop 9W-11, Washington, DC 20219

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

Mr. Manual E. Cabeza
Counsel
Room MB-3074
Federal Deposit Insurance Corporation,
550 17th Street NW., Washington, DC 20429

Re: Proposed Agency Information Collection Activities regarding FFIEC 031, FFIEC 041, and
FFIEC 051

Ladies and Gentlemen:

The American Bankers Association (ABA)¹ appreciates the opportunity to comment on the Federal Financial Institutions Examination Council's (FFIEC) proposal (the Proposal) to modify FFIEC Forms 031, 041, and 051, commonly referred to as the Consolidated Reports of Condition and Income (the Call Report). The Call Report provides data on individual banks, allows for trend analysis of bank condition and trend information about the overall banking industry, and serves as the basis for other reporting and policy analysis. Additionally, the data provided in the Call Reports serve as a foundation for other required regulatory reporting. The Proposal would consolidate, delete, or raise the threshold for a number of line items, overall continuing the process of reforming the Call Report to focus on truly valuable information and removing items of little or no value.

ABA commends the FFIEC's recognition of the reporting burdens currently imposed by the Call Report, and its decision to accelerate the start of the next statutorily mandated review of the Call Report.² We acknowledge and appreciate the FFIEC's work to relieve the burden on Call Report filing and specifically note the FFIEC's creation of a small bank report, release of the results of

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 more than \$9 trillion in loans.*

² Section 604 of the Financial Services Regulatory Relief Act of 2006 (12 U.S.C 18179(a)(11)).

the interagency surveys, and efforts to make the instructions more clear. We do not have any specific comments on this latest Proposal. We strongly support the FFIEC's ongoing work to reform the Call Report, an ongoing project that is yielding important value for supervision as well as for successful bank management. This has been a model reform process.

In that context, we offer some additional recommendations for further work. There is still more that can be done during this initiative that will create meaningful relief for all banks and support better focused supervision. Call Report data are important to their public and private sector users. Equally important is recognition of the burden that the data collection puts on Call Report filers. We recognize the significant work and effort that the FFIEC has undertaken to relieve burden to date. Important progress has been made toward striking the appropriate balance between the burden of filing the report and the benefits of the reported information. That sets the stage for further progress in this valuable, iterative effort. As we have noted previously, the crux of the burden lies with the *complexity* and *granularity* of the reporting and the hurdles to understanding which data are properly placed in which line item. Burden relief, then, is not solely effected by modification of the reporting form itself. Burden relief can include improved infrastructure—processes, dialogue with regulators, training—that allows those in charge of filing Call Reports for their institutions all the better to understand and implement current requirements and participate in making any changes.

In order to make the process of filing and changing the Call Report more efficient and better focused, we reiterate the following principles of reform:

- Align the revised Call Report with other required regulatory reporting forms.
- Establish an industry advisory committee.
- Allow sufficient time for institutions to implement any future reporting changes by releasing finalized instructional updates at least a quarter prior to the start of the quarter of implementation.
- Provide enhanced, on-going, training opportunities both to introduce new line items as well as review those already in effect.

We offer several recommendations consistent with these principles.

Ensure that the Call Report Is Aligned with other Required Reports

We recommend that the agencies synchronize modification to individual agency reports to FFIEC's changes to the Call Report, such as particularly aligning the Federal Reserve's Form FR Y-9 with the Call Report. Not aligning the reports creates confusion and delay as banking organizations will have to maintain separate, duplicative reporting systems until such time as the reporting can be aligned. The maintenance of dual systems creates significant operational burdens, undermining reporting relief efforts. Moreover, disparate reporting is confusing for investors and other users of bank financial data if, for example, a banking organization's balance sheet, as reported in the FR Y-9C, does not match up to those of the Call Report or SEC Forms 10K/Q.

It is equally important that, to the extent possible, the definitions and treatments contained within individual agency reports are consistent with Call Report definitions and treatments. Inconsistent

reporting definitions also force institutions to maintain separate reporting systems for collecting data on what are effectively the same asset, liability, and income items.

Raise the Threshold for FFIEC 051

As part of its current initiative, the FFIEC created a small bank Call Report, FFIEC 051. We recommend that the FFIEC broaden the scope of eligible institutions. Including banks with, for example, up to and including \$10 billion in assets would not diminish supervisory value and would focus supervisory attention on relevant information. These banks have similar balance sheets and exposures to those with under \$1 billion, and few, if any, engage in the complex activities represented by the line items not included in the FFIEC 051.

Frequency and Process of Review

We recommend that the FFIEC continue to engage in a review of the Call Report on a more frequent basis than that which is required by the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA), and we commend indications by FFIEC agencies of embracing an ongoing approach to Call Report review and reform. In order to ensure that data gathered through the Call Report remain relevant, we encourage the FFIEC to put in place a mechanism to identify obsolete line items in an objective manner and on a frequent, at least an annual, basis. For example, one approach would be to remove line items completed by less than 5 percent of the industry and flag those items for further evaluation as to the utility of the information these lines items provide. We also encourage the FFIEC to run the surveys discussed in the preamble to the Proposal at least bi-annually as another means of identifying items that are outdated or no longer needed for supervisory or public policy purposes. Going forward, we urge the FFIEC to take a thoughtful approach to adding new line items.

Form an Industry Group to Serve as a Technical Sounding Board

Some changes cause unintended burdens or distortions that may not be known until the institutions responsible for reporting start implementing/thinking through the impact, many of which may be felt outside of the financial reporting function. We therefore encourage the FFIEC to form an industry Task Force to offer advice and serve as a sounding board for making regulatory reporting both more efficient and dynamic.

Allow Sufficient Time to Implement Changes

Banks typically need at least several months after a final notice is published to re-configure their systems and perform necessary testing and validation. Moreover, finalization of changes near year-end requires banks to make system updates in the midst of major year-end reporting (e.g. 10Ks, Call Reports, and Y9s) and year-end freezes. These obstacles are relevant for even seemingly simple changes, such as deletions. For many institutions it is not solely a matter of not reporting a line item, as the data gathering process remains in place and requires a revision to internal reporting templates and processes. Given that most banks have automated processes, even minor changes to the Call Report entail completing and documenting maintenance on all templates.

In order to provide banks sufficient time to implement systems updates, we recommend that the FFIEC implement changes where possible only to the March Call report, with changes proposed

and finalized by the end of the previous 3rd quarter. This schedule would allow banks and their data processors to update, test, and validate systems in time to begin data collection on January 1. This is of particular importance for incorporating changes to the income statement, as 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 and eliminates the need to restate or modify prior period results, thereby reducing operational challenges in manually compiling a year-to-date break-out of these changes.

Holistic Regulatory Reporting Review

A holistic review of regulatory reporting to which banks are subject is necessary to ensure that the data collected by other reports do not undermine the efficiency being gained in Call Report reform. Since the Call Reports began, a significant number of other reports have been introduced that use Call Report data as a key source of inputs. Accordingly, as a compliment to the significant efforts that the FFIEC is undertaking, ABA urges each agency, particularly the Federal Reserve (for example, with respect to the Y-9), to review the many reports for which the Call Reports provide the base data.³

Provide Enhanced Training and Create a Q&A Process

We encourage the FFIEC to engage in outreach efforts, through which banking institutions can gain a better understanding of the required reporting. As noted previously, the data and inputs needed to fill out the Call Report are unique to the Call Report—and more granular in many respects than typical financial reporting. In addition, the frequent, significant changes to banking, accounting, and other policies combine to make understanding and filing the Call Report with necessary accuracy a significant hurdle. Given these factors, there is a steep learning curve to understand how to fill out the report or learn how to complete new line items. Conversations with our members indicate that the current mechanisms for asking technical questions about the Call Report are not sufficient, as examiners and agency staff simply tend to restate the instructions without providing insightful guidance or clarity. A formal mechanism to raise relevant technical questions to staff on an ongoing basis would help the agencies understand where additional clarity would be helpful to achieve consistent reporting across the industry. In addition, we reiterate our request for increased ongoing training, and industry conference calls on at least an annual basis. We very much appreciate the FDIC's efforts to help bankers understand the changes related to Basel III via regional training sessions and industry conferences and believe this should be a model for broader Call Report training.

Keep Working to Make the Instructions Clearer

We appreciate the FFIEC's efforts to make the instructions clearer, particularly by making changes to the report and instructions more apparent. However, the instructions for completing the Call Report still are almost 1,000 pages long and are not always plainly written. Often the

³ For example, recognition of the increased deposit insurance threshold across all reports is important due to the fact that banks use FR 2900 and FR 2644 to derive information reported on Schedule K for the FFIEC 031 and 041 reports.

instructions refer to or are taken directly from regulations. The research and bank resources required to find and interpret the policy on which the line item is based, and match the line item to a specific bank product (which may not meet the specific parameters of the rule), create significant and unnecessary burden. Particularly for complex rules, such as Basel III, it is hard for those filling out the Call Report to understand where different assets and liabilities should be correctly attributed, particularly when the rule text may be open to interpretation. In order to relieve this burden, we recommend that the agencies make the instructions shorter, clearer, and more user friendly. For example, a hyperlink to the rule or guidance on which the line item is based would reduce the time needed to research the policy intent behind specific line items. In addition, we encourage the FFIEC to provide examples of how to calculate complex line items, such as those provided under Schedule RC_R line item 29 regarding “capital minority interest that is not included in tier 1 capital.”

ABA commends and supports the efforts by the FFIEC to reduce Call Report burden now and on an ongoing basis. We urge the FFIEC to continue its comprehensive review of the Call Report, look for opportunities to delete line items that are no longer needed, and establish a formal mechanism that banks can utilize to raise relevant technical questions to staff on an ongoing basis. Going forward, we encourage the FFIEC to continue to work closely with the industry on this important work to tailor Call Report requirements. If you have any questions about these comments, please contact the undersigned at (202) 663-5182 or email: atouhey@aba.com

Sincerely,

A handwritten signature in black ink, appearing to read "Alison T.", with a stylized flourish at the end.

Alison Touhey
Vice President and Senior Regulatory Advisor