

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

FEDERAL RESERVE SYSTEM

FEDERAL DEPOSIT INSURANCE CORPORATION

**Agency Information Collection Activities: Submission for OMB Review; Joint
Comment Request**

AGENCIES: Office of the Comptroller of the Currency (OCC), Treasury; Board of
Governors of the Federal Reserve System (Board); and Federal Deposit Insurance
Corporation (FDIC).

ACTION: Notice of information collection to be submitted to OMB for review and
approval under the Paperwork Reduction Act.

SUMMARY: In accordance with the requirements of the Paperwork Reduction Act of
1995 (44 U.S.C. chapter 35), the OCC, the Board, and the FDIC (the “Agencies”) may
not conduct or sponsor, and the respondent is not required to respond to, an information
collection unless it displays a currently valid Office of Management and Budget (OMB)
control number. On August 23, 2005, the Financial Institutions Examination Council
(FFIEC), of which the Agencies are members, requested public comment for 60 days on

proposed revisions to the Consolidated Reports of Condition and Income (Call Report), which are currently approved collections of information. After considering the comments, the FFIEC has modified some of the proposed changes and will stagger the effective dates of the revisions from March 31, 2006, through March 31, 2008. The burden-reducing revisions included in the proposal will be implemented March 31, 2006, as proposed.

DATES: Comments must be submitted on or before March 20, 2006.

ADDRESSES: Interested parties are invited to submit written comments to any or all of the Agencies. All comments, which should refer to the OMB control number(s), will be shared among the Agencies.

OCC: You may submit comments, identified by [Attention: 1557-0081], by any of the following methods:

- E-mail: regs.comments@occ.treas.gov. Include [Attention: 1557-0081] in the subject line of the message.
- Fax: (202) 874-4448.
- Mail: Public Information Room, Office of the Comptroller of the Currency, 250 E Street, SW., Mailstop 1-5, Washington, DC 20219; Attention: 1557-0081.

Public Inspection: You may inspect and photocopy comments at the Public Information Room. You can make an appointment to inspect the comments by calling (202) 874-5043.

Board: You may submit comments, which should refer to “Consolidated Reports of Condition and Income, 7100-0036,” by any of the following methods:

- Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments on the <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: regs.comments@federalreserve.gov. Include docket number in the subject line of the message.
- FAX: 202-452-3819 or 202-452-3102.
- Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

All public comments are available from the Board’s web site at

www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room MP-500 of the Board’s Martin Building (20th and C Streets, NW.) between 9:00 a.m. and 5:00 p.m. on weekdays.

FDIC: You may submit comments, which should refer to “Consolidated Reports of Condition and Income, 3064-0052,” by any of the following methods:

- Agency Web site: <http://www.FDIC.gov/regulations/laws/federal/notices.html>.

- E-mail: comments@FDIC.gov. Include “Consolidated Reports of Condition and Income, 3064-0052” in the subject line of the message.
- Mail: Steven F. Hanft (202-898-3907), Paperwork Clearance Officer, Room MB-3064, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.
- Hand Delivery: Comments may be hand delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m.

Public Inspection: All comments received will be posted without change to <http://www.fdic.gov/regulations/laws/federal/notices.html> including any personal information provided. Comments may be inspected at the FDIC Public Information Center, Room E-1002, 3502 North Fairfax Drive, Arlington, VA 22226, between 9 a.m. and 5 p.m. on business days.

Additionally, commenters should send a copy of their comments to the OMB desk officer for the Agencies by mail to the Office of Information and Regulatory Affairs, U.S. Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW., Washington, DC 20503, or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT: For further information about the revisions discussed in this notice, please contact any of the agency clearance officers whose names appear below. In addition, copies of Call Report forms can be obtained at the FFIEC’s web site (http://www.ffiec.gov/ffiec_report_forms.htm).

OCC: Mary Gottlieb, OCC Clearance Officer, or Camille Dickerson, (202) 874-5090, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

Board: Michelle E. Long, Federal Reserve Clearance Officer, (202) 452-3829, Division of Research and Statistics, Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may call (202) 263-4869.

FDIC: Steven F. Hanft, Paperwork Clearance Officer, (202) 898-3907, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

SUPPLEMENTARY INFORMATION: The Agencies are requesting OMB approval to revise and extend for three years the Call Report, which is currently an approved collection of information for each of the Agencies.

Report Title: Consolidated Reports of Condition and Income (Call Report).

Form Number: FFIEC 031 (for banks with domestic and foreign offices) and FFIEC 041 (for banks with domestic offices only).

Frequency of Response: Quarterly.

Affected Public: Business or other for-profit.

OCC:

OMB Number: 1557-0081.

Estimated Number of Respondents: 1,900 national banks.

Estimated Time per Response: 43.73 burden hours (incorporates a reduction of 4.47 hours resulting from the completion of testing and enrollment in the Central Data Repository (CDR) in 2005 and an average net increase of 1.81 hours for the Call Report revisions to be phased in from March 2006 to March 2008).

Estimated Total Annual Burden: 332,331 burden hours.

Board:

OMB Number: 7100-0036.

Estimated Number of Respondents: 919 state member banks.

Estimated Time per Response: 50.69 burden hours (incorporates a reduction of 4.01 hours resulting from the completion of testing and enrollment in the CDR in 2005 and an average net increase of 2.32 hours for the Call Report revisions to be phased in from March 2006 to March 2008).

Estimated Total Annual Burden: 186,321 burden hours.

FDIC:

OMB Number: 3064-0052.

Estimated Number of Respondents: 5,247 insured state nonmember banks.

Estimated Time per Response: 34.94 burden hours (incorporates a reduction of 4.16 hours resulting from the completion of testing and enrollment in the CDR in 2005

and an average net increase of 2.00 hours for the Call Report revisions to be phased in from March 2006 to March 2008).

Estimated Total Annual Burden: 733,321 burden hours.

The estimated time per response for the Call Report is an average that varies by agency because of differences in the composition of the institutions under each agency's supervision (e.g., size distribution of institutions, types of activities in which they are engaged, and existence of foreign offices). The average reporting burden for the Call Report is estimated to range from 16 to 625 hours per quarter, depending on an individual institution's circumstances.

Furthermore, the effect on reporting burden of the revisions to the Call Report requirements will vary from institution to institution depending, in some cases, on the institution's asset size and, in other cases, on its involvement with the types of activities or transactions to which the changes apply.

General Description of Reports

These information collections are mandatory: 12 U.S.C. 161 (for national banks), 12 U.S.C. 324 (for state member banks), and 12 U.S.C. 1817 (for insured state nonmember commercial and savings banks). Except for selected items, these information collections are not given confidential treatment.

Abstract

Institutions file Call Reports with the Agencies each quarter for the Agencies' use in monitoring the condition, performance, and risk profile of individual institutions and the industry as a whole. In addition, Call Reports provide the most current statistical data available for evaluating institutions' corporate applications such as mergers, for identifying areas of focus for both on-site and off-site examinations, and for monetary and other public policy purposes. Call Reports are also used to calculate all institutions' deposit insurance and Financing Corporation assessments and national banks' semiannual assessment fees.

Current Actions

I. Overview

On August 23, 2005, the Agencies requested comment on proposed revisions to the Call Report. The proposed effective date for all of the revisions was March 31, 2006. After considering the comments, the Agencies approved several modifications to the initial set of proposed revisions and decided to phase-in the changes beginning March 31, 2006, through March 31, 2008, to provide banks sufficient time to make system and processing changes. The Agencies will move forward with reporting changes on March 31, 2006, that primarily consist of deletions, revisions to the reporting of international income, and certain new data on credit derivatives. The Agencies will delay the implementation for certain items providing additional detail on balance sheet items,

mortgage banking activities, and credit derivatives to September 30, 2006, and other items providing additional detail on income statement items and certain loans to March 31, 2007. The Agencies will also further delay implementation of certain loan items for small banks that meet specified criteria to March 31, 2008. In addition, revised officer signature requirements also take effect September 30, 2006.

The Agencies collectively received comments from 30 respondents: 21 banks and banking organizations, 3 national banking trade groups and other bankers' organizations, 2 insurance consultants, a nonbanking trade group, a government agency, a data processing company, and a federal bank examiner.

Many of the commenters were concerned with the reporting burden being imposed by the changes and questioned whether the costs of the proposed changes outweighed the perceived supervisory benefit. Two commenters recommended the Agencies consider collecting different types of data on different frequencies for banks of different asset sizes. Several commenters expressed concerns about the accuracy of the Agencies' burden estimates, especially those associated with the CDR testing and enrollment. Other commenters recommended the Agencies reassess the importance of all supplemental schedule information to the Agencies' supervisory and other responsibilities and prioritize the collection of this data based on relative risk.

Other commenters cited concerns with the relatively short implementation time-frame that the Agencies were providing banks to make the proposed changes. In particular, many of the commenters objected to the proposal to split "Construction, land development, and other land loans" (CLD&OL loans) into separate categories for 1-4 family residential CLD&OL loans and all other CLD&OL loans, and to split loans

“Secured by nonfarm nonresidential properties” (commercial real estate loans) into separate categories for owner-occupied and other commercial real estate loans based on reporting burden related considerations. Other commenters objected to the proposed changes to the officer and director signature and attestation requirements based on burden and the perceived minimal benefit to the supervisory process. Three commenters requested that the Agencies consider materiality when proposing to collect further information on Federal Home Loan Bank advances and other supplemental and memorandum information. These commenters suggested imposing a minimum reporting threshold for certain information. Commenters also requested clarification on the maximum amount payable and receivable for credit derivatives and the meaningfulness of breaking out the trading revenue from credit derivatives.

One commenter recommended a change to the reporting of deposits of “Individuals, partnerships, and corporations,” which banks currently report in item 1 of Schedule RC-E, “Deposits.” The Agencies did not propose to make any changes to this category of depositor. The commenter recommended separating this category into three subcategories for “Individuals,” “Sole proprietorships and partnerships,” and “Corporations.” At present, the Agencies’ supervisory and other primary mission objectives can be effectively accomplished without the additional breakouts recommended by the commenter. Therefore, the Agencies are not proposing to add any additional breakouts for categories of depositors at this time.

A summary of the Agencies’ responses to the comments and the final revisions are presented below.

II. Discussion of Revisions

Overall Reporting Burden

In March 2001, the Agencies revised the Call Report from four versions (FFIEC 031, 032, 033, and 034) to the existing two versions (FFIEC 031 and 041). A major reason for this change was to reduce burden and to more closely align the information collected in the Call Report to the Agencies' supervisory and other public policy objectives. Since that time, the Agencies have made efforts to target revisions to those areas of highest importance to these objectives. The Agencies realize that institutions of different sizes incur different amounts of burden and the estimates of burden hours are intended to reflect the average burden per institution. As indicated above following the Agencies' individual burden estimates as well as on the second page of the Call Report forms, the range of burden for the Call Report is estimated to be from 16 to 625 hours per response. The burden associated with the testing of and enrollment in the CDR was filed with OMB in 2004 when testing began and is required to be removed from the Agencies' records with OMB since this CDR-related burden is no longer applicable. As stated in the initial Federal Register notice, the Agencies have recently conducted a careful review of the information needed to accomplish the Agencies' supervisory and other public policy objectives and have proposed to delete those items determined to be no longer critical to this mission.

Call Report Revisions Effective as of the March 31, 2006, Report Date

A. Burden-Reducing Revisions

Several commenters supported (or did not oppose) the four proposed burden-reducing revisions discussed below, but one commenter stated that these revisions would not meaningfully reduce burden.

1. Uninsured Deposits

Banks with less than \$1 billion in total assets will no longer be required to complete Memorandum item 2, “Estimated amount of uninsured deposits,” in Schedule RC-O, “Other Data for Deposit Insurance and FICO Assessments.” Banks with \$1 billion or more in total assets will continue to report this estimate in Memorandum item 2. To determine whether a bank must complete Memorandum item 2 during 2006, the \$1 billion asset size test is based on the total assets reported on the bank’s Call Report balance sheet for June 30, 2005. Each year thereafter, this asset size test will be determined based on the total assets reported in the previous year’s June 30 Call Report. Once a bank surpasses the \$1 billion total asset threshold, it must continue to report its estimated uninsured deposits regardless of subsequent changes in its total assets. When estimating the uninsured portion of its deposits, a bank with \$1 billion or more in total assets should base its estimate on data that are readily available from the information systems and other records pertaining to its deposits that the bank has in place.

2. Holdings of Asset-Backed Securities

Banks with domestic offices only and less than \$1 billion in total assets will no longer provide a six-way breakdown of their holdings of asset-backed securities (not held for trading purposes) in Schedule RC-B, “Securities,” items 5.a through 5.f. Instead, these banks would report only their total holdings of asset-backed securities in Schedule RC-B, item 5. Banks with foreign offices and other banks with \$1 billion or more in total

assets will continue to report the existing breakdown of their asset-backed securities, but this information will be collected in new Memorandum items 5.a through 5.f of Schedule RC-B. The \$1 billion asset size test will be applied in the same manner as discussed above under Uninsured Deposits.

3. Impact of Derivatives on Income

In Schedule RI, “Income Statement,” the Agencies are eliminating Memorandum items 9.a through 9.c, which collect data on the “Impact on income of derivatives held for purposes other than trading.” These Memorandum items are currently reported by banks with foreign offices or with \$100 million or more in total assets.

4. Bankers Acceptances

The following items for reporting information on bankers acceptances will be eliminated:

- Schedule RC, “Balance Sheet”
 - Item 9, “Customers’ liability to this bank on acceptances outstanding”
 - Item 18, “Bank’s liability on acceptances executed and outstanding”
- Schedule RC-L, “Derivatives and Off-Balance Sheet Items,” item 5,
“Participations in acceptances conveyed to others by the reporting bank”
- Schedule RC-H, “Selected Balance Sheet Items for Domestic Offices” (FFIEC 031 only)
 - Item 1, “Customers’ liability to this bank on acceptances outstanding”
 - Item 2, “Bank’s liability on acceptances executed and outstanding”

With the elimination of separate balance sheet items for acceptances on Schedule RC, banks should include any acceptance assets and acceptance liabilities in “Other

assets” (Schedule RC, item 11) and “Other liabilities” (Schedule RC, item 20), respectively.

B. Revisions of Existing Items and New Items

1. Life Insurance Assets

At present, banks include their holdings of life insurance assets (e.g., the cash surrender value reported to the bank by the insurance carrier, less any applicable surrender charges not reflected by the carrier in this reported value) in Schedule RC-F, “Other Assets,” item 5, “All other assets.” If the carrying amount of a bank’s life insurance assets included in item 5 is greater than \$25,000 and exceeds 25 percent of its “All other assets,” the bank must disclose this carrying amount in Schedule RC-F, item 5.b. Schedule RC-F will be revised by adding a new item 5 in which all banks will report their holdings of life insurance assets. Existing item 5, “All other assets,” in Schedule RC-F will be renumbered as item 6. Commenters specifically addressing this reporting change either supported it or indicated it would not present problems.

For purposes of reporting “Life insurance assets” in new item 5 of Schedule RC-F, banks should include the cash surrender value of life insurance reported by the insurance carrier, less any applicable surrender charges not reflected by the carrier in this reported value, on all forms of permanent life insurance policies owned by the bank, its consolidated subsidiaries, and grantor (rabbi) trusts established by the bank or its consolidated subsidiaries, regardless of the purposes for acquiring the insurance and regardless of whether the insurance is a general account obligation of the insurer or a separate account obligation of the insurer. Permanent life insurance refers to whole and universal life insurance, including variable universal life insurance. Purposes for which

insurance may be acquired include offsetting pre- and post-retirement costs for employee compensation and benefit plans, protecting against the loss of key persons, and providing retirement and death benefits to employees. Include as life insurance assets the bank's interest in insurance policies under split-dollar life insurance arrangements with directors, officers, and employees under both the endorsement and collateral assignment methods.

2. Credit Derivatives by Type and Remaining Maturity

In item 7 of Schedule RC-L, "Derivatives and Off-Balance Sheet Items," banks currently report the notional amounts of the credit derivatives on which they are the guarantor and on which they are the beneficiary as well as the gross positive and negative fair values of these credit derivatives. These existing items will be revised so that banks with credit derivatives will provide a breakdown of these notional amounts by type of credit derivative -- credit default swaps, total return swaps, credit options, and other credit derivatives -- in items 7.a.(1) through 7.a.(4) of Schedule RC-L, with those on which the bank is the guarantor reported in column A and those on which the bank is the beneficiary in column B. Banks will continue to separately report the gross positive and negative fair values of credit derivatives on which they are the guarantor and the beneficiary without a breakdown by type of credit derivative (items 7.b.(1) and 7.b.(2), columns A and B).

In addition, banks currently present a maturity distribution for six categories of derivative contracts that are subject to the risk-based capital standards in Schedule RC-R, "Regulatory Capital," Memorandum item 2. A new category will be added for credit derivatives that are subject to these standards. The remaining maturities of these credit derivatives will be reported separately for those where the underlying reference asset is

rated investment grade or, if not rated, is the equivalent of investment grade under the bank's internal credit rating system (Memorandum item 2.g.(1)) and those where the underlying reference asset is rated below investment grade ("subinvestment grade") or, if not rated, is the equivalent of below investment grade under the bank's internal credit rating system (Memorandum item 2.g.(2)).

None of the commenters specifically addressed these two reporting changes.

3. Income from Foreign Offices

At present in the FFIEC 031 version of the Call Report, banks with foreign offices whose international operations account for more than 10 percent of total revenues, total assets, or net income must complete Schedule RI-D, "Income from International Operations." Banks that complete this schedule are currently directed to report estimates of the amounts of their income and expense attributable to international operations. These estimates must eliminate intrabank accounts and should reflect all appropriate internal allocations of income and expense.

Existing Schedule RI-D will be revised to capture income from foreign offices (as that term is currently defined for Call Report purposes) in place of income from "international operations." The schedule will be renamed "Income from Foreign Offices" and the threshold for completing revised Schedule RI-D will continue to be based on a 10 percent test, but the test would compare a bank's foreign office revenues, assets, and net income to its consolidated total revenues, total assets, and net income. Total revenues (net interest income plus noninterest income) and net income will be determined from the preceding calendar year (2005 for purposes of reporting in Schedule RI-D beginning March 31, 2006) and total assets will be measured as of the preceding calendar year end

(December 31, 2005, for purposes of reporting in Schedule RI-D beginning March 31, 2006).

The following categories of foreign office income and expense will be reported in revised Schedule RI-D:

- Total interest income
- Total interest expense
- Provision for loan and lease losses
- Trading revenue
- Investment banking, advisory, brokerage, and underwriting fees and commissions
- Net securitization income
- All other noninterest income
- Realized gains (losses) on held-to-maturity and available-for-sale securities
- Total noninterest expense
- Adjustments to pretax income in foreign offices for internal allocations to foreign offices to reflect the effect of equity capital on overall bank funding costs
- Applicable income taxes
- Extraordinary items and other adjustments, net of income taxes
- Internal allocations of income and expense applicable to foreign offices
- Eliminations arising from the consolidation of foreign offices with domestic offices

The amounts reported in the preceding income and expense categories (except the categories for adjustments to pretax income, internal allocations, and eliminations) are to be reported on a foreign office consolidated basis, i.e., before eliminating the effects of

transactions with domestic offices, but after eliminating the effects of transactions between foreign offices. This is a change from the current Schedule RI-D approach under which amounts are reported net of all intrabank transactions.

The Agencies received no comments specifically addressing the proposed revisions to Schedule RI-D.

4. Standby Letters of Credit Issued by a Federal Home Loan Bank

Banks are currently required to report standby letters of credit issued by a Federal Home Loan Bank on their behalf in Schedule RC-L, item 9, “All other off-balance sheet liabilities,” when these letters of credit exceed 10 percent of the bank’s total equity capital. When these letters of credit exceed 25 percent of total equity capital, the amount must also be separately identified and disclosed in Schedule RC-L. To facilitate the reporting and identification of these standby letters of credit when the amount exceeds 25 percent of total equity capital, banks with this volume of standby letters of credit issued by a Federal Home Loan Bank will report them in Schedule RC-L, item 9.c., to which the Agencies are adding an appropriate preprinted caption.

No comments were received on this specific element of the Agencies’ proposal.

5. Scope of Securitizations to be Included in Schedule RC-S

In column G of Schedule RC-S, “Servicing, Securitization, and Asset Sale Activities,” banks report information on securitizations and on asset sales with recourse or other seller-provided credit enhancements involving loans (other than those covered in columns A through F of the schedule) and all leases. Although the scope of Schedule RC-S was intended to cover all of a bank’s securitizations and credit-enhanced asset sales, as currently structured column G does not capture transactions involving assets

other than loans and leases. Therefore, the Agencies are revising the scope of column G to encompass “All Other Loans, All Leases, and All Other Assets.” As a result, column G will begin to reflect securitization transactions involving such assets as securities.

The Agencies received no comments on this change in scope.

C. Instructional Clarification for Servicing of Home Equity Lines

Banks report the outstanding principal balance of assets serviced for others in Memorandum item 2 of Schedule RC-S, “Servicing, Securitization, and Asset Sale Activities.” In Memorandum items 2.a and 2.b, the amounts of 1-4 family residential mortgages serviced with recourse and without recourse, respectively, are reported. Memorandum item 2.c covers all other financial assets serviced for others, but banks are required to report the amount of such servicing only if the servicing volume is more than \$10 million.

The Agencies will clarify the instructions by stating that servicing of home equity lines should be included in Memorandum item 2.c. Memorandum items 2.a and 2.b should include servicing of closed-end loans secured by first or junior liens on 1-4 family residential properties only. The only commenter addressing this clarification stated that it was reasonable.

Call Report Revisions Effective as of the September 30, 2006, Report Date

A. Revisions of Existing Items and New Items

1. Federal Home Loan Bank Advances and Other Borrowings

Banks currently report separate breakdowns by remaining maturity of Federal Home Loan Bank (FHLB) advances and other borrowings in Schedule RC-M, items 5.a

and 5.b., respectively. The Agencies proposed to add two additional breakdowns of FHLB advances. The first would collect data on four categories of advances: Fixed rate, variable rate, callable structured advances, and other structured advances. The second would collect data on advances by time remaining until the next repricing date using four time intervals: One year or less, over one year through three years, over three years through five years, and over five years. In addition, the existing remaining maturity data for both FHLB advances and other borrowings were to be modified by adding a new remaining maturity period of over five years.

Three commenters suggested the Agencies limit the application of certain information on FHLB advances to institutions whose FHLB advances are material to their overall operations. In contrast, another commenter, a banking trade group, stated that its members did not believe it would be burdensome in most cases to provide the proposed additional information. The Agencies evaluated various alternative materiality thresholds for FHLB advances and concluded that, for many institutions, such thresholds would effectively increase, rather than reduce, the burden associated with providing the requested information. Burden would effectively increase because these institutions would have to assess whether they exceed the reporting threshold as of each report date and would need to develop a system for capturing the information whenever the threshold is exceeded. Once the threshold is exceeded institutions would continue to report the information until the volume of FHLB advances declined and remained below a threshold for a sufficient period of time to indicate that the advances were no longer an integral part of the institution's operations. Therefore, the Agencies are not establishing a materiality threshold for these items. Nevertheless, in response to commenters' concerns about

burden, the Agencies reconsidered the amount of data they proposed to collect on FHLB advances and other borrowings and decided to modify their proposal by reducing the amount of information to be reported by banks.

Thus, banks will separately report their FHLB advances and their other borrowings based on the amount of time until the next repricing date (one year or less, over one year through three years, over three years through five years, and over five years) in items 5.a.(1)(a)-(d) and 5.b.(1)(a)-(d) of Schedule RC-M, respectively.¹ Banks will also report the amounts of advances and other borrowings with a remaining maturity of one year or less in items 5.a.(2) and 5.b.(2), respectively, rather than the proposed four-period breakdown by remaining maturity.

In addition, banks will report only the amount of structured FHLB advances included in their advances outstanding in item 5.a.(3) of Schedule RC-M instead of the four-way breakdown of advances that had been proposed. Structured advances are advances containing options. Structured advances include (1) callable advances, i.e., fixed rate advances that the FHLB has the option to call after a specified amount of time, (2) convertible advances, i.e., fixed rate advances that the FHLB has the option to convert to floating rate after a specified amount of time, and (3) puttable advances, i.e., fixed rate advances that the bank has the option to prepay without penalty on a specified date or dates. Any other advances that have caps, floors, or other embedded derivatives should also be reported as structured advances.

2. Nonaccrual Assets

¹ The sum of Schedule RC-M, items 5.a.(1)(a)-(d) and items 5.b.(1)(a)-(d), must equal Schedule RC, item 16, "Other borrowed money."

Two new items will be added to Schedule RC-N, “Past Due and Nonaccrual Loans, Leases, and Other Assets,” pertaining to nonaccrual assets: Memorandum item 7, “Additions to nonaccrual assets during the quarter,” and Memorandum item 8, “Nonaccrual assets sold during the quarter.” Identical items are already collected from bank holding companies that file the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C). The one institution that specifically commented on the proposed new nonaccrual items observed that, because it files the FR Y-9C, these items would not create additional burden.

In Memorandum item 7, report the gross amount of all loans, leases, debt securities, and other assets (net of unearned income) that have been placed in nonaccrual status since the prior quarter-end. Include those assets placed in nonaccrual status during the quarter that are included as of the quarter-end report date in Schedule RC-N, column C, items 1 through 9. Also include those assets placed in nonaccrual status during the quarter that, before the current quarter-end, have been sold, paid off, charged-off, settled through foreclosure or concession of collateral (or any other disposition of the nonaccrual asset) or have been returned to accrual status. In other words, the gross amount of assets placed in nonaccrual status since the prior quarter-end that should be reported in Memorandum item 7 should not be reduced, for example, by any charge-offs or sales of such nonaccrual assets. If a given asset is placed in nonaccrual status more than once during the quarter, report the amount of the asset only once.

In Memorandum item 8, report the gross outstanding balance of all loans, leases, debt securities, and other assets held in nonaccrual status (i.e., reportable in Schedule RC-N, column C, items 1 through 9) that were sold during the current quarter. The amount to

be reported is the outstanding balance of the asset at the time of the sale. Do not include any gains or losses from the sale. For purposes of this item, only include those nonaccrual asset sales that meet the criteria for a sale as set forth in FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.

3. Secured Borrowings

The Agencies are adding two items to Schedule RC-M, “Memoranda,” in which banks will report the amount of their “Federal funds purchased” (as reported in Schedule RC, item 14.a), and their “Other borrowings” (as reported in Schedule RC-M, item 5.b) that are secured. Two commenters specifically addressed these proposed items. One did not object to these items, but the other suggested that materiality thresholds be applied to the reporting of these two items. Consistent with the discussion above under FHLB advances and other borrowings, the Agencies decided against establishing a materiality threshold for these items.

Banks should include in these items the amount of “Federal funds purchased” and “Other borrowings” for which the bank (or a consolidated subsidiary) has pledged securities, loans, or other assets as collateral for the borrowings. Transfers of financial assets accounted for as financing transactions because they do not satisfy the criteria for sale accounting under FASB Statement No. 140, mortgages payable on bank premises and other real estate owned, and obligations under capitalized leases should be included as “Secured other borrowings.”

4. Closed-End 1-4 Family Residential Mortgage Banking Activities

The Agencies will add a new Schedule RC-P to the Call Report that will contain a series of items that are focused on closed-end 1-4 family residential mortgage banking activities. The schedule will include items for the principal amount of retail originations during the quarter of mortgage loans for resale, wholesale originations and purchases during the quarter of mortgage loans for resale, and mortgage loans sold during the quarter. The schedule will also collect information on the carrying amount of mortgage loans held for sale at quarter-end. Data will be reported separately for first lien and junior lien mortgages.²

The Agencies proposed that Schedule RC-P would be completed by all banks with \$1 billion or more in total assets and that smaller banks that are significantly involved in mortgage banking activities, as determined by their primary federal regulator, could be directed by their regulator to complete the schedule. One commenter stated that this reporting approach for banks with less than \$1 billion in total assets could result in confusion and inconsistent treatment of such banks. This commenter recommended against leaving the reporting decision up to a bank's regulator, suggesting instead that a reporting threshold by mortgage volume be established for banks with less than \$1 billion in assets. This commenter also stated that data collection for this new schedule would be time consuming and some information may need to be compiled manually. Three other commenters urged the Agencies to delay the implementation of proposed Schedule RC-P to provide more lead time to prepare for it. Another commenter requested clear instructional guidance for the information to be reported in this new Call Report schedule. As discussed in the following paragraph, the Agencies have established a

² As will be discussed in the following section, an additional item on noninterest income earned during the quarter from these mortgage banking activities will be added to Schedule RC-P effective March 31, 2007.

mortgage volume threshold for reporting in Schedule RC-P by banks with less than \$1 billion in total assets. The effective date of the schedule has also been delayed from the proposed March 31, 2006, implementation date. The instructions have been refined from those included in the proposal.

Schedule RC-P is to be completed by (1) all banks with \$1 billion or more in total assets³ and (2) banks with less than \$1 billion³ in total assets whose closed-end 1-4 family residential mortgage banking activities exceed a specified level. More specifically, if either closed-end (first lien and junior lien) 1-4 family residential mortgage loan originations and purchases for resale from all sources, loan sales, or quarter-end loans held for sale exceed \$10 million for two consecutive quarters, a bank with less than \$1 billion in total assets must complete Schedule RC-P beginning the second quarter and continue to complete the schedule through the end of the calendar year. For example, for a bank with less than \$1 billion in total assets, if the bank's closed-end 1-4 family residential mortgage loan originations plus purchases for resale from all sources exceeded \$10 million during the quarter ended June 30, 2006, and the bank's sales of such loans exceeded \$10 million during the quarter ended September 30, 2006, the bank would be required to complete Schedule RC-P in its September 30 and December 31, 2006, Call Reports. The level of the bank's mortgage banking activities during the fourth quarter of 2006 and the first quarter of 2007 would determine whether it would need to complete Schedule RC-P each quarter during 2007 beginning March 31, 2007.

Retail originations of closed-end 1-4 family residential mortgage loans for resale include those mortgage loans for which the origination and underwriting process was

handled exclusively by the bank or a consolidated subsidiary of the bank. Therefore, retail originations would exclude those closed-end 1-4 family residential mortgage loans for which the origination and underwriting process was handled in whole or in part by another party, such as a correspondent or mortgage broker, even if the loan was closed in the name of the bank or a consolidated subsidiary of the bank. Such loans would be treated as wholesale originations or purchases, as would acquisitions of closed-end 1-4 family residential mortgage loans that were closed in the name of a party other than the bank or a consolidated subsidiary of the bank. Closed-end 1-4 family residential mortgage loans originated or purchased for the reporting bank's own loan portfolio should be excluded from amounts reported as originations or purchases for resale in Schedule RC-P.

Closed-end 1-4 family residential mortgage loans sold during the quarter include those transfers of loans originated or purchased for resale from retail or wholesale sources that have been accounted for as sales in accordance with FASB Statement No. 140, i.e., those transfers where the loans are no longer included in the bank's consolidated total assets. Sales of closed-end 1-4 family residential mortgage loans directly from the bank's loan portfolio during the quarter should also be reported as loans sold.

Closed-end 1-4 family residential mortgage loans held for sale at quarter-end should be reported at the lower of cost or fair value consistent with their presentation in the Call Report balance sheet. Such loans would include any mortgage loans transferred at any time from the bank's loan portfolio to a held-for-sale account that have not been sold by quarter-end.

³ The \$1 billion asset size test is generally based on the total assets reported on the Call Report balance sheet (Schedule RC, item 12) as of June 30 of the preceding year. Banks with \$1 billion or more in total

5. Amounts Payable and Receivable on Credit Derivatives

Banks with credit derivatives currently report the notional amount and fair value of these instruments in item 7 of Schedule RC-L, “Derivatives and Off-Balance Sheet Instruments.” The Agencies will add new items 7.c.(1) and (2) to Schedule RC-L to collect information on the maximum amounts that the reporting bank can collect or must pay on the credit derivatives it has entered into. One commenter requested further clarification regarding what is meant by “maximum” in this context and the agencies will make such a clarification.

B. Other Revisions

1. Officer and Director Signature Requirements

Several commenters expressed concern regarding the Agencies’ proposal to revise the Call Report’s existing officer declaration to require that the report be signed by each bank’s chief executive officer (or the person performing similar functions) and chief financial officer (or the person performing similar functions) rather than by an “authorized officer.” Under the proposal, the officer declaration was also to be revised to state that these officers are responsible for establishing and maintaining internal control over financial reporting, including controls over regulatory reports. In addition, the Agencies proposed to revise the director attestation to require that the directors who sign the Call Report be members of the bank’s audit committee, if one exists.

Commenters indicated that it would be difficult to obtain the required review and signatures of the audit committee members, chief executive officer, and chief financial officer in the short timeframe allowed for completion and submission of the Call Report.

assets as of June 30, 2005, must complete Schedule RC-P beginning September 30, 2006.

Several commenters also expressed concern that the Agencies were trying to impose certification and internal control standards similar to those contained in the Sarbanes-Oxley Act of 2002 for compliance with regulatory reporting guidelines. However, statutory requirements already specify that the Call Report must be signed by an authorized officer of the bank and attested to by not less than two directors (trustees) for state nonmember banks and three directors for national and state member banks. These statutes further require that, in signing the Call Report, the officer and directors address the correctness of the reported information. The statutes also recognize that banks are responsible for maintaining procedures to ensure the accuracy of this information.

After considering the comments received, the Agencies are revising the existing officer signature requirement so that the Call Report must be signed by the bank's chief financial officer (or the individual performing an equivalent function) rather than by any authorized officer of the bank. In signing the Reports of Condition and Income, the chief financial officer would attest that the reports have been prepared in conformance with the instructions and are true and correct to the best of the officer's knowledge and belief. The requirement for signatures by directors would not be changed (i.e., the directors signing the Call Report need not be members of the bank's audit committee).

The introductory paragraph preceding the statements concerning the preparation of the Call Report that must be signed by the chief financial officer and two or three directors will note that each bank's board of directors and senior management are responsible for establishing and maintaining an effective system of internal control, including controls over the Reports of Condition and Income. (This language concerning

internal control does not appear in the statements to be signed by the chief financial officer and the directors.) Similar references to the responsibility of the board and senior management for the internal control system are contained in the Agencies' March 2003 Interagency Policy Statement on the Internal Audit Function and Its Outsourcing. Internal control and its relationship to timely and accurate regulatory reports are also addressed in the Interagency Guidelines Establishing Standards for Safety and Soundness.

Call Report Revisions to be Implemented March 31, 2007 (and 2008)

A. Revisions of Existing Items and New Items

1. Construction, Land Development, and Other Land Loans

At present, banks report the total amount of their "Construction, land development, and other land loans" in the loan schedule (Schedule RC-C, part I, item 1.a) and they also disclose the amount of these loans that are past due 30 days or more or in nonaccrual status (Schedule RC-N, item 1.a) and that have been charged off and recovered (Schedule RI-B, part I, item 1.a). The agencies proposed to split the existing item for "Construction, land development, and other land loans" in these three schedules into separate items for "1-4 family residential construction, land development, and other land loans" and "Other construction, land development, and other land loans." In addition, the agencies would similarly split the item for "Commitments to fund commercial real estate, construction, and land development loans secured by real estate" in the off-balance sheet items schedule (Schedule RC-L, item 1.c.(1)) into two items.

A significant number of commenters expressed concern about the burden associated with distinguishing 1-4 family residential construction loans from other loans

currently reported in the existing construction loan category and making the system changes that would be required to provide this information, particularly in light of the relatively short timeframe banks would be provided to make these changes, i.e., by March 31, 2006, under the proposal. One other commenter, a nonbanking trade group, recommended that all residential construction loans, both 1-4 family and multifamily, be segregated from other construction loans and that banks separately report data on 1-4 family and multifamily residential construction loans. Based on the comments received, the Agencies are retaining a two-way breakout of “Construction, land development, and other land loans,” but are clarifying the scope of the two new loan categories and implementing the changes in two phases through March 31, 2008. The changes will take effect March 31, 2007, for (1) all banks with \$300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks without foreign offices and with less than \$300 million in total assets whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, sum of items 1.a, 1.d, and 1.e) is greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005. Banks with less than \$300 million in total assets that do not meet this percentage test will begin reporting the breakdown of their construction loans as of March 31, 2008.

The Agencies are splitting the existing construction loan item in schedules RC-C, RC-N, and RI-B into separate items for “1-4 family residential construction loans” and “Other construction loans and all land development and other land loans.” In addition, the Agencies will split the existing item for commitments to fund commercial real estate, construction, and land development loans secured by real estate in Schedule RC-L into

separate items for “1-4 family residential construction loan commitments” and “Commercial real estate, other construction loan, and land development loan commitments.”

“1-4 family residential construction loans” are those loans for the purpose of constructing 1-4 family residential properties, which will secure the loan. The term “1-4 family residential properties” is defined in Schedule RC-C, part I, item 1.c. The new loan category for “1-4 family residential construction loans” would exclude loans for the development of building lots and loans secured by vacant land, unless the same loan finances the construction of 1-4 family residential properties on the property.

2. Loans Secured by Nonfarm Nonresidential Properties

Banks currently report the total amount of their loans “Secured by nonfarm nonresidential properties” in the loan schedule (Schedule RC-C, part I, item 1.e) along with the amounts of these loans that are past due 30 days or more or in nonaccrual status (Schedule RC-N, item 1.e) and the amounts that have been charged off and recovered (Schedule RI-B, part I, item 1.e). The agencies proposed to split the existing item for loans “Secured by nonfarm nonresidential properties” in these three schedules into separate items for loans secured by owner-occupied nonfarm nonresidential properties and loans secured by other nonfarm nonresidential properties.

A significant number of commenters expressed concern about the burden of the nonfarm nonresidential real estate loan proposal similar to that discussed above with respect to construction loans. One commenter noted in particular the difficulties in determining how “mixed-use” properties should be categorized in the Call Report loan schedule. Commenters also expressed concern about the relatively short timeframe banks

would be provided to make these changes, i.e., by March 31, 2006, under the proposal. Based on the comments received, the Agencies are modifying the scope of the two new loan categories and implementing the changes in two phases through March 31, 2008, in a manner consistent with the phase-in schedule for the construction loan items listed above. As with the changes for construction loans discussed above, the changes for nonfarm nonresidential real estate loans will take effect March 31, 2007, for (1) all banks with \$300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks without foreign offices and with less than \$300 million in total assets whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, sum of items 1.a, 1.d, and 1.e) is greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005. Banks with less than \$300 million in total assets that do not meet this percentage test will begin reporting the breakdown of their nonfarm nonresidential real estate loans as of March 31, 2008.

The new category for “Loans secured by other nonfarm nonresidential properties” includes those nonfarm nonresidential real estate loans where the primary or a significant source of repayment is derived from rental income associated with the property (i.e., loans for which 50 percent or more of the source of repayment comes from third party, nonaffiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. Thus, the primary or a significant source of repayment for “Loans secured by owner-occupied nonfarm nonresidential properties” is the cash flow from the ongoing operations and activities conducted by the party, or an affiliate of the party, who owns the property, rather than from third party, nonaffiliated, rental income or the proceeds of the sale, refinancing, or permanent financing of the property. The

determination as to whether a property is considered “owner-occupied” should be made upon acquisition (origination or purchase) of the loan. However, for purposes of determining whether existing nonfarm nonresidential real estate loans should be reported as “owner-occupied” beginning March 31, 2007, or 2008, banks may consider the source of repayment either when the loan was acquired or based on the most recent available information. Once a bank determines whether a loan should be reported as “owner-occupied” or not, this determination need not be reviewed thereafter.

3. Retail and Commercial Leases

Banks with foreign offices or with \$300 million or more in total assets currently report a breakdown of their lease financing receivables between those from U.S. and non-U.S. addressees in Schedule RC-C, part I, items 10.a and 10.b. Addressee information on leases is also reported in the past due and nonaccrual schedule (Schedule RC-N, item 8 on the FFIEC 031 and Memorandum item 3.d on the FFIEC 041) and on the charge-offs and recoveries schedule (Schedule RI-B, part I, item 8 on the FFIEC 031 and Memorandum item 2.d on the FFIEC 041).⁴ The Agencies are replacing the existing addressee breakdown of leases with a breakdown between retail (consumer) leases and commercial leases in these three Call Report schedules effective March 31, 2007. Retail (consumer) leases would be defined in a manner similar to consumer loans, i.e., as leases to individuals for household, family, and other personal expenditure purposes. Commercial leases would encompass all other lease financing receivables. The only commenter who specifically addressed the proposed revision to the reporting of leases did not foresee any difficulty with the change.

⁴ Banks with domestic offices only and less than \$300 million in total assets are not required to provide this breakdown.

4. Income from Annuity Sales, Investment Banking, Advisory, Brokerage, and Underwriting

In the Call Report income statement (Schedule RI), banks currently report commissions and fees from sales of annuities (fixed, variable, and deferred) and related referral and management fees in one of three items: income from sales of annuities by a bank's trust department (or a consolidated trust company subsidiary) that are executed in a fiduciary capacity is reported in "Income from fiduciary activities" (Schedule RI, item 5.a); income from sales of annuities to bank customers by a bank's securities brokerage subsidiary is reported in "Investment banking, advisory, brokerage, and underwriting fees and commissions" (Schedule RI, item 5.d); and income from all other annuity sales is reported in "Income from other insurance activities" (Schedule RI, item 5.h.(2)). Existing item 5.d also collects the amount of noninterest income from a variety of other activities.

To better distinguish between banks' noninterest income from investment banking (dealer) activities and their sales (brokerage) activities, the Agencies are revising the noninterest income section of the Call Report income statement effective March 31, 2007. A new item will be added for "Fees and commissions from annuity sales," which will include income from sales of annuities and related referral and management fees (other than income from sales by a bank's trust department or a consolidated trust company subsidiary executed in a fiduciary capacity, which will continue to be reported in Schedule RI, item 5.a). Existing item 5.d will be replaced by separate items for "Fees and commissions from securities brokerage" and "Investment banking, advisory, and underwriting fees and commissions." Securities brokerage income would include fees

and commissions from sales of mutual funds and from purchases and sales of other securities and money market instruments for customers (including other banks) where the bank is acting as agent. Other than moving annuity-related income to the new item for such income, there would be no other changes to the existing item 5.h.(2), “Income from other insurance activities.” In connection with these changes, the items in the noninterest income section of the Call Report income statement (Schedule RI) would be renumbered.

One commenter, an insurance consultant, supported the proposed income statement changes relating to income from annuity sales, securities brokerage, and investment banking. However, this commenter also recommended that banks report additional detail on income from annuity sales, a change that the Agencies are not implementing.

5. Income from 1-4 Family Residential Mortgage Banking Activities

In new Schedule RC-P on 1-4 family residential mortgage banking activities, which will begin to be completed by certain banks beginning September 30, 2006, an item will be added to the schedule on March 31, 2007, to collect data on noninterest income generated from these activities. New item 5 of Schedule RC-P, “Noninterest income for the quarter from the sale, securitization, and servicing of closed-end 1-4 family residential mortgage loans,” will capture the portion of a bank’s “Net servicing fees,” “Net securitization income,” and “Net gains (losses) on sales of loans and leases” (current items 5.f, 5.g, and 5.i of Schedule RI) earned during the quarter that is attributable to 1-4 family residential mortgage loans. The March 31, 2007, effective date for this new Schedule RC-P item responds to commenters’ request that the Agencies

delay the implementation of this schedule from its proposed March 31, 2006, effective date.

6. Revenues from Credit Derivatives and Related Exposures

In Schedule RI, Memorandum item 8, banks that reported average trading assets of \$2 million or more for any quarter of the preceding calendar year currently provide a four-way breakdown of trading revenue by type of risk exposure: interest rate, foreign exchange, equity, and commodity. Although banks also trade credit derivatives and credit cash instruments, there is no specific existing category in which to report the revenue from these trading activities. Accordingly, the Agencies proposed to add a new risk exposure category to Memorandum item 8 for credit derivatives.

One commenter stated that adding credit derivatives to the breakdown of trading revenue by type of exposure may not be meaningful because credit derivative positions are often hedged with cash instruments. After considering this comment, the Agencies have modified their proposal and will instead add a new risk exposure category for credit-related exposures effective March 31, 2007. In this new Memorandum item 8.e, a bank should report its net gains (losses) from trading cash instruments and derivative contracts that it manages as credit exposures. The sum of Memorandum items 8.a through 8.e must equal the amount of trading revenue reported in the Call Report income statement in Schedule RI, item 5.c.

The Agencies are also adding new Memorandum items 9.a and 9.b to Schedule RI, "Income Statement," as of March 31, 2007, in which banks must report the net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account, regardless of whether the credit

derivative is designated as and qualifies as a hedging instrument under generally accepted accounting principles. Credit exposures outside the trading account include, for example, nontrading assets (such as available-for-sale securities or loans held for investment) and unused lines of credit. To address the commenter's concern about the use of credit derivatives for hedging, banks will report such net gains (losses) on credit derivatives held for trading in Memorandum item 9.a and on credit derivatives held for purposes other than trading in Memorandum item 9.b. Thus, those net gains (losses) on credit derivatives reported in Schedule RI, Memorandum item 9.a, will also have been included in the amount reported in new Memorandum item 8.e of Schedule RI.

III. Request for Comment

Public comment is requested on all aspects of this joint notice. In addition, comments are invited on:

- (a) Whether the proposed revisions to the Call Report collections of information are necessary for the proper performance of the agencies' functions, including whether the information has practical utility;
- (b) The accuracy of the agencies' estimates of the burden of the information collections as they are proposed to be revised, including the validity of the methodology and assumptions used;
- (c) Ways to enhance the quality, utility, and clarity of the information to be collected;

- (d) Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and
- (e) Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Comments submitted in response to this joint notice will be shared among the Agencies. All comments will become a matter of public record. Written comments should address the accuracy of the burden estimates and ways to minimize burden as well as other relevant aspects of the information collection request.

Dated: February 10, 2006

(signed)

Stuart E. Feldstein,

*Assistant Director, Legislative and Regulatory Activities Division,
Office of the Comptroller of the Currency.*

Board of Governors of the Federal Reserve System, February 13, 2006.

(signed)

Jennifer J. Johnson
Secretary of the Board.

Dated at Washington, D.C., this 10th day of February, 2006.

FEDERAL DEPOSIT INSURANCE CORPORATION

(signed)

Robert E. Feldman
Executive Secretary