



June 18, 2024

Via Electronic Mail

Chief Counsel's Office
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, D.C. 20219

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

Manuel E. Cabeza, Counsel
Attn: Comments, Room MB-3128
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington D.C. 20429

Re: Call Report and FFIEC 002 Revisions, OCC 1557-0081.

To Whom It May Concern:

The Bank Policy Institute¹ welcomes the opportunity to respond to the joint notice and request for comment by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, regarding revisions to the Consolidated Reports of Condition and Income (Call Reports) and Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002).²

¹ The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

² 89 Fed. Reg. 45046.

As noted in our original comment letter response to these proposals,³ BPI is supportive of the purpose of the proposed revisions to the Call Reports in improving the consistency of reporting of nondepository financial institution (NDFI) exposures and appreciates the Agencies' acknowledgement and revisions related to our prior comments on these Call Report proposals. Our comments herein are aimed largely at those items modified between the Agencies' 60-day notice and the current 30-day notice and seek to further enhance and clarify the reporting of purpose and non-purpose loans secured by securities (non-purpose loans) in Schedule RC-C line item 9.b.(1). Additionally, we continue to respectfully request a delayed effective date of June 30, 2025, to allow firms adequate time to develop and test the necessary systems and governance and controls frameworks to implement the proposed changes. As some firms may be able to report in line with the proposal at an earlier date, the December 31, 2024 effective date should remain an option for those firms prepared to early adopt the reporting revisions.

I. The reporting of loans on Call Report Schedule RC-C item 9.b.(1) should be clarified.

BPI is supportive of the Agencies' proposed revisions to the instructions for Call Report Schedule RC-C item 9.b.(1), which consider our prior comments and now clarify the inclusion of non-purpose loans in this item. As currently proposed, the instructions for Schedule RC-C item 9.b.(1) continue to include "(1) all loans, whether secured or unsecured, to any other borrower for the purpose of purchasing or carrying securities;" however, (2) in the instructions for item 9.b.(1) was revised and now reflects the inclusion of "all purpose and non-purpose securities-based margin loans, regardless of borrower type, that are predominately secured (greater than 50% of underlying collateral) by securities with readily determinable fair values."⁴ We have concerns and also require clarification regarding this new language for the potential implications regarding the reporting of both purpose and non-purpose loans in line item 9.b.(1).

A. All purpose loans should be reported in Item 9.b.(1).

The proposed language in (2) of the instructions for item 9.b.(1) could be read to contradict and further limit the instructions in (1) of the instructions for item 9.b.(1) or instead could be read to expand upon those items contained in (1). While (1) appears clear that "all loans, whether secured or unsecured, to any other borrower for the purpose of purchasing or carrying securities" should be reported there are differing possible interpretations with respect to the qualifications contained in (2). Specifically, the inclusion of "purpose loans" in (2) may create confusion that only those predominately secured by securities with readily determinable fair values, despite the prior instructions in (1) specifying

³ BPI, *Call Report and FFIEC 002 Revisions OMB Control No: OCC 1557-0081, FRB 7100-0036, FDIC 3064-0052 and FR Y-9 Report Revisions OMB Control No: 7100-0128*, available at <https://bpi.com/wp-content/uploads/2023/05/BPI-Comment-Letter-on-Call-Reports-and-FR-Y-9-1.pdf>.

BPI, *Call Report and FFIEC 002 Revisions*, available at <https://bpi.com/wp-content/uploads/2024/02/BPI-Comment-Letter-Call-Report-and-FFIEC-002-Revisions.pdf>.

⁴ Federal Reserve, *Redlined Draft FFIEC 031 Instructions for the Proposed Call Report Revisions with Proposed Effective Date June 30, 2024 and December 31, 2024*, available at https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC_031_20240524_i_draft.pdf, at 47.

that a respondent should include all purpose loans in line item 9.b.(1). As detailed in our prior letter,⁵ we are strongly supportive of the Agencies maintaining consistency and having all loans for the purpose of purchasing or carrying securities be reported in item 9.b.(1). The Agencies appeared supportive of this approach in removing exclusion 5 from 9.b.(1), which called for firms to exclude “all loans to brokers and dealers in securities.”⁶ This removal by the Agencies grouped together loan exposures secured by securities collateral, and those for the purpose of purchasing or carrying securities (other than loans secured by real estates), rather than classifying them by borrower type, which improves reporting consistency and provide further transparency into the use of these products. In order to achieve these same improvements to reporting and to avoid possible inconsistencies in reporting, we respectfully request that the Agencies clarify that all loans for the purpose of purchasing or carrying securities (all purpose loans) are reported in Schedule RC-C line item 9.b.(1) and remove the language indicating “purpose loans” in (2) of 9.b.(1).

B. All non-purpose loans should be reported in Item 9.b.(1).

Beyond the potential confusion regarding purpose loans detailed above, the recently proposed instructions in (2) further limit non-purpose loans that are included in 9.b.(1) by restricting inclusion to just those structured as “margin loans” and “that are predominately secured by securities with readily determinable fair values.” These additional criteria, beyond all non-purpose securities-based loans, have the potential to create inconsistent reporting among firms and would also be very operationally burdensome to implement. As noted in our prior comments,⁷ we are supportive of the inclusion of all non-purpose loans in item 9.b.(1) to simplify loan reporting practices for firms, and also further the Agencies’ expressed intention that these revisions increase transparency and consistency in reporting of these items by “group[ing] together loan exposures that exhibit similar underlying risk characteristics.”⁸

However, the currently proposed instruction language in (2) for item 9.b.(1), limiting products to only margin loans predominantly secured by securities with readily determinable fair values, would introduce entirely new and burdensome criteria for the classification of loans on Schedule RC-C. Specifically, the proposed changes to the instructions incorporate collateral market values assessment (i.e., assessing whether they have readily determinable fair value) and credit risk management practices (through only margin loans) as criteria for the line item. Currently, loans are classified in Schedule RC-C using borrower type, purpose, and collateral. For example, loans secured by real estate on Schedule RC-C, Line 1, are classified based on the estimated value of the real estate collateral at origination and do not require certain credit risk management practices to be implemented for classification. Further, it is not clear in the proposed instructions whether the collateral market value assessment needs to be performed for each reporting period. These proposed criteria for item 9.b.(1), including ongoing

⁵ BPI, *Call Report and FFIEC 002 Revisions*, available at <https://bpi.com/wp-content/uploads/2024/02/BPI-Comment-Letter-Call-Report-and-FFIEC-002-Revisions.pdf>.

⁶ Federal Reserve, *Redlined Draft FFIEC 031 Instructions for the Proposed Call Report Revisions with Proposed Effective Date June 30, 2024*, available at https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_20231227_i_draft.pdf, at 10.

⁷ *Supra* note 5.

⁸ 88 Fed. Reg. 89489 at 89491.

collateral assessment, are therefore not aligned with the existing classification methods and items in Schedule RC-C and would be burdensome to implement by firms. This is further exacerbated as firms have not had sufficient time to evaluate their full impact given their proposed inclusion as a part of the 30-day notice, as this criteria was not contemplated in the original 60-day notice. Specifically, respondents would now need to review the borrowers' investment portfolios to distinguish between those that are secured by greater than 50% of securities with readily determinable fair values, and those secured by other securities. To reduce the operational burden on firms and create more consistent reporting, we request that the agencies remove the provisions regarding "margin loans" and "predominately secured by securities with readily determinable fair values" from (2) in Schedule RC-C line item 9.b.(1) to clarify that all non-purpose securities-based loans, regardless of borrower type, are included in this item.

II. The effective date of the NDFI revisions should be June 30, 2025, along with commensurate revisions to related reporting forms, with an option for firms to early adopt the new standards as of December 31, 2024.

For the same reasons stated in our prior letter,⁹ if the Agencies are to proceed with finalizing the NDFI reporting and loan classification changes on the Call Report as proposed, more time would be needed before all firms can properly report these items. These proposed changes would require the development of new systems, processes and controls, as well as testing to ensure that these are compliant and operational, and firms would have to undergo an extensive review of a significant number of loans. Given that these NDFI reporting revisions have not yet been implemented, or even proposed, for other regulatory reporting forms, such as the FR Y-9C, firms would have the additional burden of running dual processes for the reporting of these items if the current effective date is maintained. Additionally, as noted in our prior comment letter,¹⁰ we continue to strongly recommend the effective date for the Call Report revisions should be aligned with similar revisions to related reports regarding these loan classification changes, which would produce conformity with the Call Reports.

Further, as noted in Section I above, there remain outstanding questions requiring further clarification on the reporting instructions with respect to the reporting of purpose and non-purpose loans. Given that the earliest that these answers would become available to firms is in the final notice and final forms and instructions, which are unlikely to be published until July (at the earliest), the proposed December 31, 2024, as of date may leave firms with insufficient time to make these necessary systems and governance changes. In recognition of the outstanding clarifications and operational changes that firms must complete, the effective date for these revisions should be June 30, 2025, and should occur commensurate with the incorporation of NDFI revisions into related regulatory reports, as we originally requested. However, as some firms may be able to implement the revisions on an earlier timeline, firms should be permitted to early adopt the new standard as of December 31, 2024.

⁹ *Supra* note 5.

¹⁰ *Id.*

BPI appreciates the opportunity to comment on the proposal. If you have any questions, please contact the undersigned by phone at 202.589.1932 or by email at jack.stump@bpi.com.

Respectfully submitted,

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

Jack Stump
Assistant Vice President, Regulatory Affairs
Bank Policy Institute

cc: Michael Gibson
Mark Van Der Weide
Board of Governors of the Federal Reserve System

Benjamin McDonough
Grovetta Gardineer
Office of the Comptroller of the Currency

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Federal Deposit Insurance Corporation