



Annual Report 1984

Members of the Council



William M. Isaac, *Chairman*
Federal Deposit Insurance Corporation (FDIC)



Edwin J. Gray, *Vice Chairman*
Chairman
Federal Home Loan Bank Board (FHLBB)



Edgar F. Callahan
Chairman
National Credit Union Administration (NCUA)



C. T. Conover
Comptroller of the Currency
Office of the Comptroller of the Currency (OCC)



J. Charles Partee
Member
Board of Governors of the
Federal Reserve System (FRB)

Letter of Transmittal

Federal Financial Institutions Examination Council
Washington, DC
March 29, 1985

The President of the Senate
The Speaker of the House of Representatives

Pursuant to the provisions of section 1006(f) of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 USC 3305), I am pleased to submit the 1984 Annual Report of the Federal Financial Institutions Examination Council.

Sincerely,

A handwritten signature in cursive script, appearing to read "William M. Isaac".

William M. Isaac
Chairman



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The Federal Financial Institutions Examination Council

The Federal Financial Institutions Examination Council ("Council") was established on March 10, 1979, pursuant to Title X of Public Law 95-630, the Federal Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). The purpose of Title X was to create a formal inter-agency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, National Credit Union Administration, and Office of the Comptroller of the Currency, and to make recommendations to promote uniformity in the supervision of financial institutions. The Council is also to develop uniform reporting systems for federally supervised financial institu-

tions, their holding companies, and the nonfinancial institution subsidiaries of such institutions and holding companies. It is to conduct schools for examiners employed by the five agencies represented on the Council and to make such schools available to employees of state financial institutions supervisory agencies. Overall, it is the intent of the legislation that the Council promote consistency in federal examinations and ensure progressive and vigilant supervision.

The Council was given additional statutory responsibilities under the Housing and Community Development Act of 1980 (section 340 of Public Law 96-399, October 8, 1980). Among the assignments are the implementation of a system to facilitate public access to data that depository institutions are required to disclose under the Home Mortgage Disclosure Act of

1975 (HMDA), and the aggregation of annual HMDA data, by census tract, for each metropolitan statistical area.

The Council has five members: the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, a member of the Board of Governors of the Federal Reserve System appointed by the Chairman of the Board, the Chairman of the Federal Home Loan Bank Board, and the Chairman of the National Credit Union Administration Board. In addition, to encourage the application of uniform examination principles and standards by the state and federal supervisory authorities, the Council has established, in accordance with the requirement of the statute, an advisory State Liaison Committee composed of five representatives of state supervisory agencies.



Record of Actions of the Council

Following is a chronological record of the official actions taken by the Federal Financial Institutions Examination Council during 1984 pursuant to sections 1006 and 1007 of Public Law 95-630 and section 340 of Public Law 96-399 (Housing and Community Development Act of 1980).

February 2

Action. Approved by a 4-0 vote revisions to the Country Exposure Report (Form FFIEC 009).

Explanation. The revisions to the Country Exposure Report are designed primarily to implement the requirement of the International Lending Supervision Act of 1983 to provide for greater public disclosure of country exposures of U.S. banks. The principal change is the introduction of the new Country Exposure Information Report, which is to be filed as a supplement to the regular Country Exposure Report. Information in this new report will be made available to the public upon request.

Action. Approved by a 4-0 vote a survey of the central depositories for Home Mortgage Disclosure Act data.

Explanation. Section 340(a) of the Housing and Community Development Act of 1980 called upon the Council to develop a system to facilitate public access to Home Mortgage Disclosure Act (HMDA) data. The system was to include a central depository for HMDA data in each metropolitan statistical area (MSA) in the United States. During 1981, the Council established these depositories throughout the country and since then has annually provided each depository with HMDA statements for each covered institution in the MSA, along with aggregated HMDA data for the depository's MSA. The depositories—which may be libraries or city or regional gov-

ernmental offices—make the data available to the public upon request. The purpose of the survey is to determine the extent to which the public is making use of these facilities and to identify any problems being encountered by the depositories. Information from the survey may be useful to the Congress when it undertakes a review of HMDA in 1985.

Action. Approved by a 4-0 vote the 1983 annual report of the Council to the Congress.

Explanation. The legislation establishing the Council requires that, not later than April 1 of each year, the Council prepare an annual report covering its activities during the preceding year.

March 9

Action. Unanimously approved a letter to the House and Senate Government Operations Committees commenting on a General Accounting Office (GAO) report to the Congress on the Examination Council entitled "Federal Financial Institutions Examination Council Has Made Limited Progress Toward Accomplishing Its Mission."

Explanation. The general conclusion of the GAO report was that the Council "has not accomplished the objectives laid out for it by the Congress." Regarding the three broad areas in which legislative assignments were given to the Council, the report concluded that the Council (1) made "limited progress" in establishing uniform examination principles, standards, and report forms; (2) made "some progress" in achieving uniformity in other supervisory matters and reporting systems; and (3) was unable to develop a comprehensive examiner training program.

In its letter to the congressional committees, the Council stated that the

GAO report offered a reasonably balanced presentation of the Council's accomplishments. The Council noted, however, that it had made a renewed commitment to develop a uniform examination report and a uniform, automated screening system. (On August 28 the Council approved a uniform screening system for banks and on November 20 approved a uniform commercial bank examination report for field testing.) The Council also noted that it was increasing its efforts to improve its existing training programs, especially in the trust and international banking areas. Development of a comprehensive examiner training program, the Council said, would not be feasible until substantial uniformity in approach to examination and supervision among the agencies was achieved.

May 4

Action. Unanimously approved the appointment of Sidney A. Bailey, Virginia Commissioner of Financial Institutions, and Elaine B. Weis, Utah Commissioner of Financial Institutions, to the State Liaison Committee to complete the unexpired two-year terms of Michael M. Horn of New Jersey and Hunter O. Wagner of Louisiana.

Explanation. As required by statute, the Council has established a liaison committee composed of five representatives of state agencies that supervise financial institutions. The Council's appointments of Mr. Bailey and Ms. Weis were made to fill vacancies created by the resignations of Messrs. Horn and Wagner.

May 24

Action. Approved by a 3-0-2 vote proposed revisions to the (1) Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks and

(2) the Foreign Branch Report of Condition.

Explanation. The Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (Form FFIEC 002) was revised to conform it more closely to the recently revised call reports for domestic banks. In addition, the report will collect some new information: more specific information on the activities of the international banking facilities of foreign banks, selected income and expenses of the branches and agencies, and allowances for losses on loans and lease-financing receivables.

The action on the Foreign Branch Report of Condition makes this a Council report. In the past, the three federal banking agencies collected essentially the same information on their own report forms.

August 28

Action. Approved by a 3-0-2 vote the Annual Report of International Fiduciary Activities.

Explanation. This report (Form FFIEC 006) replaces the Interagency Survey of Foreign Trust Activities, which was used in the past to collect information on the foreign fiduciary activities of U.S. banks. The survey was used because it was not certain that there would be a continuing need for this information. Because the Federal Reserve Board and Office of the Comptroller of the Currency have determined that there is a continuing supervisory need for this information, the Examination Council formally approved it as a Council report.

Action. Approved by a 3-0-2 vote a recommendation that the three banking agencies adopt the Uniform Bank Screening System developed by the Council. (All three banking agencies approved the Council's recommendation.)

Explanation. The Council developed the uniform, automated screening system to aid in the identification of banks that may require special supervisory review. It is intended that this screen-

ing system be incorporated into the agencies' overall supervisory review process. Because the three agencies will be using the results of the same screening process, each agency will know all of the banks that have failed the screen and can be assured that the agency having primary supervisory responsibility for such banks will pursue appropriate follow-up actions. The Council believes that this new system will strengthen the supervisory process and improve communication among the agencies by providing a common basis for discussions of supervisory matters.

The Council will produce the screen each quarter using the computer files for bank Reports of Condition and Income and will provide the results to the three agencies along with the quarterly Uniform Bank Performance Reports. After consulting with the State Liaison Committee, the Council also agreed to provide the screen results to state supervisory authorities who want them and who agree to maintain the confidentiality of the results and the screen formula.

Action. Approved by a 4-0 vote a Statement of Policy on the Interagency Exchange of Supervisory Information and recommended its adoption by the three banking agencies and the Federal Home Loan Bank Board. (All four agencies approved the policy statement.)

Explanation. Development of the policy statement was undertaken because the Council believes that increased communication and coordination among the agencies will improve the supervisory process. Information to be exchanged under this policy includes shifting of subquality assets, change of control ownership, initiation of formal and informal enforcement actions, and criminal referrals.

Safeguards for ensuring the confidentiality and appropriate use of the exchanged information are incorporated into the policy statement. Because the Council and State Liaison Committee recognize that the exchange of supervisory information between federal and state regulatory authorities would

be mutually beneficial, state authorities may participate in this program if they agree to abide by the standards of confidentiality and use of the information contained in the agreement among the federal agencies.

November 20

Action. Approved by a 3-0-2 vote a Uniform Report of Examination for Commercial Banks for field testing by the three banking agencies.

Explanation. The Examination Report format approved by the Council consists of two parts: a mandatory "core" report and an appendix. Each examination report prepared by the agencies would have to contain all of the sections provided for in the core report in the sequence prescribed by the Council. The core report consists of a "Comments and Conclusions" section followed by a section for each of the CAMEL components. The second part of the report, the appendix, includes a number of specific schedules to be used at the discretion of each agency. If an agency elects to include these schedules, the format prescribed by the Council would be used and the schedules would be placed in the report in the sequence approved by the Council.

Following field testing of the report, the Council plans to ask the agencies to implement the new report. At the request of the State Liaison Committee, several state bank supervisors have agreed to participate in the field test of the report.

Action. Approved by a 3-0-2 vote the issuance for public comment of a proposed Country Exposure Report for U.S. Branches and Agencies of Foreign Banks.

Explanation. The proposed report corresponds to the country-exposure reports now required of U.S. banks. Information in the proposed report would permit the supervisory agencies to monitor large concentrations of country credits that can adversely affect the U.S. branch and agency operations of foreign banks. Data on exposure to the branch's or agency's

home country and large credit concentrations to other countries would be reported.

The Council also requested comment on whether certain information provided in the report should be made available to the public upon request.

Action. Approved by a 3-1-1 vote some general recommendations to the Federal Reserve Board regarding appropriate disclosures for adjustable-rate mortgages (ARMs).

Explanation. The Federal Reserve asked that the Council attempt to develop appropriate, uniform disclosures for ARMs, including a worst-case scenario. Following consideration of the matter, the Council decided to defer to the Federal Reserve regarding the development of specific disclosures because that agency has regulatory responsibility under the Truth in Lending Act (Regulation Z). The Council, however, made several general recommendations for the Federal Reserve's consideration. Specifically, the Council suggested that

(1) ARM disclosures should be provided by the creditor before an individual submits any loan application or pays any fee; (2) consumers should receive generic, preapplication ARM disclosures that explain briefly the nature and pitfalls of ARMs; and (3) consumers should receive generic loan examples that reflect the creditor's ARM program, showing the effects of an annual increase in interest rates of two percentage points over a three-year period.

State Liaison Committee Report

In section 1007 of Public Law 95-630, Congress authorized the establishment of the State Liaison Committee (SLC) "to encourage the application of uniform examination principles and standards by state and federal supervisory agencies." The SLC has attempted to carry out this responsibility by assuming an active advisory role in all Council deliberations, especially when matters pertaining directly to joint state and federal regulatory concerns or jurisdictional overlaps are at issue. The primary objectives of the SLC are to reduce redundant supervisory procedures imposed upon state-chartered financial institutions and to foster communication and cooperation between state and federal supervisory authorities. Progress toward these ends has been achieved since the establishment of the Council.

The Council provides the SLC with a full-time staff position. This staff support allows the SLC members to be fully informed on Council matters and to participate in all Council activities, including task force assignments and projects.

The SLC feels that greater progress toward supervisory uniformity could be achieved by expanding the Council's agenda to its full potential and allowing it to become the focal point in the development of new and improved approaches to financial institution examination. The SLC believes that the Council can coordinate activities among the federal agencies and between federal agencies and their state counterparts so as to economize on the combined state and federal resources devoted to the supervision and regulation of financial institutions. The Council's agreement upon the exchange of supervisory information, the development of a bank screening system, and the design of a uniform examination report—are examples of the kinds of projects that the SLC believes the Council should pursue.

These successes can set a tone of cooperation among the federal agencies and allow the Council to serve its established function. The SLC also believes that the federal financial institution supervisory agencies would have much greater confidence in one another's supervisory findings if their examinations were based upon common principles, uniformly documented, and carried out by examiners who are similarly trained.

Organization

The SLC consists of five representatives of state agencies that supervise financial institutions. The representatives are appointed for terms of two years. A member who has served a full two-year term may not be successively reappointed. Each year, the SLC elects one of its members to serve as chair for a period of 12 months. Of the five members, two are selected by the Council. The other three are individually designated by the Conference of State Bank Supervisors, National Association of State Savings and Loan Supervisors, and the National Association of State Credit Union Supervisors. A list of the SLC members appears on pages 9 and 10 of this report.

Participation in Examination Council Activities

During 1984, the Council, with full participation by the SLC, undertook two potentially far-reaching projects: the development of a uniform screening system for banks and a uniform bank examination report form. Agreement on uniform statistical tests to help identify those banks most urgently in need of supervisory attention was a major accomplishment. The system permits supervisors to allocate their resources more effectively, to deal more evenly with banks subject to different

supervisory jurisdictions, and to cooperate more effectively in cases of overlapping responsibility among federal supervisors or between state and federal authorities. Because the SLC wanted state bank supervisors to have access to the results of the new screening system, on September 30, 1984, the Council began sending both the details of the screening process and the results of each quarterly screen to the bank supervisory officials of all 50 states and the Commonwealth of Puerto Rico.

Through its staff representative, the SLC also participated in the development of the Uniform Examination Report Form. The SLC supported the idea of a uniform report to facilitate exchange of examination data among regulators and to contribute to better understanding of examination findings by institutions that are subject to more than one supervisory authority. As 1984 ended, the federal supervisory agencies were preparing plans to conduct a field test of the uniform report form. Under the auspices of the SLC, six state supervisors will conduct simultaneous tests of the same forms and related instructional materials.

In 1983, the Council's Task Force on Supervision began to develop an agreement providing for the exchange of information on the shifting of subquality assets, changes in ownership control, and the initiation of formal and informal enforcement actions. (Subsequently, information on criminal referrals was also included.) The SLC requested specific provisions in the agreement that would permit state supervisory authorities to participate, as full partners, in the exchange of information about banks under their jurisdiction. The Council agreed, provided that a state supervisory authority is willing to be bound by the same standards of confidentiality and usage that federal agencies are.

Through its staff representative, the

SLC also surveyed the states to ascertain their need for copies of the Council's publication "A User's Guide to the Uniform Bank Performance Report," which was being revised. The results of that survey were provided to the UBPR coordinator in June of 1984.

The Council's Reports Task Force began the first major revision of the Report of Assets and Liabilities of U.S. Agencies and Branches of Foreign Banks (FFIEC Form 002) in 1984. When the original report was developed in 1979, the Federal Reserve Board consulted extensively with the supervisory authorities of those states that had authorized the operation of branches and agencies of foreign banks. During the 1984 revision, these coordinative efforts were assumed by the SLC. In May, the SLC provided copies of the proposed revised report to all state bank supervisors and then conducted a telephone survey with officials of the 11 states that have branches and agencies of foreign banks. The survey results were passed on to the Council's Reports Task Force and were helpful in the development of the proposal issued for public comment in July. The SLC staff representative and representatives of the New York State Banking Department, the major state supervisory authority that uses Form 002 data, attended the meeting of the Reports Task Force to help resolve issues that were raised during the comment period.

The Council's Task Force on Supervi-

sion attempted to resolve the problem of the major rating services' inconsistent ratings of securities and to deal with situations in which the rating of an issuer of widely held obligations is suspended. Because these matters also relate to the uniform classification of such securities in reports of examination, the Conference of State Bank Supervisors (CSBS) participated in the staff deliberations. The SLC supports the involvement of CSBS in this coordinative process.

SLC Participation in Council Deliberations

At the February 2 meeting, responding to a question by Federal Home Loan Bank Board Member Hovde, SLC members described how investments by savings and loans and banks are regulated in their states. SLC Member Paul stated that while the National Association of State Savings and Loan Supervisors had taken no position on the specific issue of expanded investment powers, it was opposed to any federal preemption of state statutes or regulations relating to such matters. SLC Member Horn stated that in his judgment there is a need for limits on direct equity investments in real estate by financial institutions.

At the May 24 and August 28 meetings, the SLC focused on the exchange of supervisory information and the desirability of making state supervisors

full parties to the agreement being developed among the federal agencies. The SLC also expressed its continuing support for the uniform examination report project and the development of an automated screening system for banks. At the August 28 meeting, the SLC also heard a presentation by Mr. Filson of the NCUA describing the forthcoming joint state/federal regulators conference and examiner training seminar. The SLC supports such joint educational programs.

On November 20, Mr. John M. Walker, Jr., Assistant Secretary of the Treasury for Enforcement and Operations, made a presentation on the findings of the President's Commission on Organized Crime. SLC Member Burge reported that the state of Georgia had implemented a computerized reporting system based upon information contained in Treasury Department reports. He said that they would be glad to share their experience and information with the Treasury.

At the same meeting, the Council also discussed Chairman Isaac's concerns about the burden imposed on banks by the Reports of Condition and Income and whether these reports meet the needs of the agencies. SLC Member Weis indicated that state supervisors could provide valuable input to the study authorized by the Council, and SLC Chairman Bailey emphasized the need to reduce the burden, especially on smaller banks.

Administration of the Council

Regular meetings of the Council are held quarterly. Special meetings may be scheduled whenever matters of high priority must be considered without delay.

The Council's activities are funded in several ways. Its administrative operations are funded through semiannual assessments on the five agencies represented on the Council, with each agency contributing one-fifth of the total cost of these operations. The costs associated with the Council's examiner education program are recovered through student tuition fees. A residential facility for examiners attending Council classes in the Washington, D.C. metropolitan area is being leased by the Council, and room charges paid by the agencies whose personnel use the facility cover the lease payments.

The Federal Reserve Board provides budget and accounting services to the Council, and the Federal Reserve's Controller serves as the Council's Controller. The Council is supported by a small, full-time staff in the Office of the Executive Secretary. Each member of the Council's staff is detailed from one of the five agencies represented on the Council but is considered a salaried employee of the Council. The major responsibilities of the Office of the Executive Secretary are to—

- schedule Council meetings, prepare agendas for Council meetings, prepare minutes of Council meetings, and review all material for Council consideration;
- monitor work of all interagency staff groups involved in the Council's operations and help staff groups set priorities and define key issues;
- undertake special projects and studies as requested by the Council;
- work closely with members of the State Liaison Committee to ensure adequate communication between

the members, the Council, and the interagency staff groups;

- coordinate public information activities, including preparation and distribution of Council press releases;
- maintain liaison with the Congress and with federal departments and agencies;
- prepare the Council's annual report to Congress;
- coordinate the production and distribution of the quarterly Uniform Bank Performance Report and related data; and
- coordinate the collection, production, and distribution of Home Mortgage Disclosure Act data.

Most of the staff support in the substantive areas of concern to the Council is provided by the five interagency staff task forces and the Legal Advisory Group (LAG). The task forces and the LAG are responsible for the research and other investigative work done by agency staffs on behalf of the Council and for reports and policy recommendations prepared for consideration by the Council. Also, the Council has established the Agency Liaison Group, an interagency group of senior officials responsible for the overall coordination of their respective agencies' staff efforts in support of the Council. The executive secretary of the Council is an ex officio member of each of the five interagency staff task forces as well as the Agency Liaison Group. The staff time and other resources expended on Council-related projects in 1984 were provided by the five agencies without reimbursement and are not reflected in the Council budget. Without those contributions by the agencies and the individual staff members, significant progress on Council projects during 1984 would have been impossible.

As provided for in its enabling legislation, the Council created a State Liaison Committee composed of five state

supervisors of financial institutions. The Committee advises the Council in all areas of Council responsibility and helps to ensure effective federal-state communication on matters of financial institution supervision and examination. Under the Council's rules of operation, the Conference of State Bank Supervisors, the National Association of State Savings and Loan Supervisors, and the National Association of State Credit Union Supervisors each designates one state supervisor to serve on the State Liaison Committee. The remaining two positions on the Committee are filled by state officials selected by the Council.

Organization, December 31, 1984

Members of the Council

William M. Isaac, *Chairman*
Chairman
Federal Deposit Insurance
Corporation (FDIC)

Edwin J. Gray, *Vice Chairman*
Chairman
Federal Home Loan Bank
Board (FHLBB)

Edgar F. Callahan
Chairman
National Credit Union
Administration (NCUA)

C. T. Conover
Comptroller of the Currency
Office of the Comptroller of
the Currency (OCC)

J. Charles Partee
Member
Board of Governors of the
Federal Reserve System (FRB)

State Liaison Committee

Sidney A. Bailey, *Chairman*
Commissioner of Financial
Institutions
Virginia

Charles W. Burge
Deputy Commissioner of Thrift
Institutions
Georgia

Kenneth W. Littlefield
Commissioner of Finance
Missouri

David L. Paul
Commissioner
Savings and Loan Associations
Colorado

Elaine B. Weis
Commissioner of Financial
Institutions
Utah

Council Office of the
Executive Secretary

Robert J. Lawrence
Executive Secretary

Rhoger H Pugh
*SLC Coordinator and Assistant
Executive Secretary (Acting)*

Agency Liaison Group

Charles W. Filson (NCUA)

William J. Schilling (FHLBB)
H. Joe Selby (OCC)
Robert V. Shumway (FDIC)
William Taylor (FRB)

Legal Advisory Group

John C. Murphy, Jr. *Chairman* (FDIC)
Ralph W. Christy (FHLBB)
James J. Engel (NCUA)
Richard V. Fitzgerald (OCC)
J. Virgil Mattingly, Jr. (FRB)

Interagency Staff Task Forces

Consumer Compliance

Robert W. Hefner, *Chairman* (OCC)
Jerauld C. Kluckman (FRB)
Rex J. Morthland (FDIC)
Peggy W. Spohn (FHLBB)
Wilmer Theard (NCUA)

Examiner Education

Robert J. Moore, *Chairman* (FHLBB)
David A. Bomgaars (OCC)
Martin F. Kushner (NCUA)
Rene W. Lacoste (FRB)
Charles E. Thacker (FDIC)

Reports

Robert F. Storch, *Chairman* (FDIC)
William E. Dobrzykowski (FHLBB)
David C. Motter (OCC)
Stanley J. Sigel (FRB)
Donald Sorrels (NCUA)

Supervision

H. Joe Selby, *Chairman* (OCC)
Louis P. Acuna (NCUA)
Francis M. Dorer (FHLBB)
John E. Ryan (FRB)
Robert V. Shumway (FDIC)

Surveillance Systems

William Taylor, *Chairman* (FRB)
Charles V. Collier (FDIC)
Parker H. Jayne (FHLBB)
Donald Sorrels (NCUA)
Bobby B. Winstead (OCC)

Activities of the Interagency Staff Groups

Section 1006 of Public Law 95-630 sets forth the functions of the Council. Briefly summarized, these functions are—

- to establish uniform principles, standards, and report forms for the examination of financial institutions and make recommendations for uniformity in other supervisory matters;
- to develop uniform reporting systems for federally supervised institutions, their holding companies, and subsidiaries of such institutions and holding companies; and
- to conduct schools for examiners employed by the federal supervisory agencies and make those schools available to employees of state supervisory agencies under conditions specified by the Council.

To administer projects in all of those functional areas effectively, the Council established the following five interagency staff task forces:

- Task Force on Consumer Compliance
- Task Force on Examiner Education
- Task Force on Reports
- Task Force on Supervision
- Task Force on Surveillance Systems

Each task force includes one senior official from each agency. The Council also established a Legal Advisory Group composed of a senior legal officer from each agency. The task forces and the Legal Advisory Group provide research and analytical papers and proposals on the issues the Council addresses.

Task Force on Consumer Compliance

The Task Force on Consumer Compliance was created to promote uni-

form enforcement of consumer laws by the five agencies. It is composed of senior personnel who are knowledgeable in the area of consumer compliance matters. The task force identifies and resolves any problems concerning consumer compliance policies and procedures that may exist among any of the agencies represented on the Council.

The task force is responsible for those laws and regulations that protect consumers who conduct business with financial institutions: the Truth in Lending Act, the Fair Credit Billing Act, the Fair Credit Reporting Act, the Consumer Leasing Act, the FTC Improvement Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Electronic Funds Transfer Act, the Community Reinvestment Act, the Fair Debt Collection Practices Act, the Right to Financial Privacy Act, and Federal Reserve Regulation Q (Interest on Deposits). Other issues addressed by the task force are flood insurance and advertising regulations, civil rights policies and regulations involving lending and employment practices, and state consumer laws that have an impact on the agencies' examination programs.

Activities of the Task Force

The Housing and Community Development Act of 1980 directed the Council to establish a system of central depositories in the United States to facilitate access to Home Mortgage Disclosure Act (HMDA) data for individual depository institutions. In 1984, the Council requested that the task force conduct a survey of the central depositories to determine the extent to which the public has made use of the depositories and the data in them. Responses to the survey have been tabulated and will be forwarded to Council members

early in 1985. The survey will enable the Council to make recommendations to the Congress in 1985, when extension of HMDA will be considered.

During the past year, the task force developed an interagency consumer information pamphlet that provides information on the five financial regulatory agencies and the institutions they regulate, and lists agency personnel to contact for inquiries or complaints. The pamphlet will be distributed in 1985.

A working group consisting of the task force and staff members from the Department of Housing and Urban Development developed adjustable-rate mortgage (ARM) disclosures for recommendation to the Federal Reserve. The Council agreed with the task force's recommendation that consumers should receive preapplication ARM disclosures that briefly explain the nature and pitfalls of ARM loans and include generic example loans that reflect the ARM program in a rising-rate environment. The staff of the Federal Reserve Board is now considering amending Regulation Z in light of these recommendations.

The task force completed the revisions to the "Citizens Guide to the Community Reinvestment Act" in 1984.

The task force provides a forum for discussion of controversial issues facing the five agencies. This past year several items were considered, including:

- interagency survey of financial institutions' policies on delayed funds availability;
- alternative methods of detecting discrimination, with special emphasis on the review of the monitoring-information requirement of Regulation B; and
- disclosure of an interagency composite CRA ratings chart.

Task Force on Examiner Education

The Task Force on Examiner Education fosters and oversees interagency training of examiners and assistant examiners. The programs are also attended by examiners from state and foreign financial institution supervisory agencies. The primary goal is to train examiners to attain the highest level of competency in carrying out their duties and responsibilities. To achieve this goal, the task force has established specific objectives:

- identify examiner training needs and develop programs to meet those needs
- review training curricula and instructor standards to ensure the offering of high-quality programs
- provide assistance in developing training opportunities for examiners of state and foreign financial institution supervisory agencies

In addition to the 12 courses and seminars operated by the Council, the constituent agencies conducted several sessions of two of the courses: Fundamentals of Data Processing and Basic Entry Level Trust School. A substantial portion of these course sessions consists of common-core materials, resulting in considerable uniformity of instruction. The core-course concept permits the member agencies to spend some instructional time on agency-specific matters.

The Council conducted eight sessions away from Washington, at or near the regional offices of the member agencies. Regional sessions are conducted whenever feasible to reduce travel and personnel costs. Six sessions of Management Workshop and two sessions of Bank Municipal Dealer/MSRB Seminar were conducted during the year in Chicago, Dallas, Atlanta, Cleveland, and San Francisco.

The Council's training facilities and classroom and office space continue to be subleased from the FDIC. This modern, well-equipped training facility has been in use since the inception of Council training programs. Located in

Rosslyn, the training center features a variety of classrooms, a lecture hall, and rooms in which small groups can meet. Audio-visual aids are available for use in all courses.

The Council continued to lease efficiency apartments at The Virginian, a residential hotel about two blocks from the training center. This provided housing for attendees at an average effective daily rate of approximately \$45, a considerable savings compared with local hotel rates. It also guaranteed that space would be available even during periods of peak hotel demand. The lease is extended at six-month intervals, and the number of units is adjusted at these intervals to meet projected needs. Ninety-four units were leased in 1984. Member agencies also house attendees of their programs at The Virginian.

In 1985, the task force will continue to refine the courses for which the Council is now responsible. The task force also plans to continue to emphasize special seminars, which the Council's Examiner Training School is well suited to provide. A uniform report of examination is being developed, and it is hoped that this will expand the sphere of courses suitable for interagency cooperation.

Activities of the Task Force

The curriculum now consists of 12 courses offered throughout the year. Most of these courses were developed in past years by interagency course-development groups. The Council training staff, consisting of five persons, administers these courses. In addition, each course has an administrator within one of the agencies who serves as a subject-matter specialist, oversees the content, keeps the course lessons up to date, and schedules instructors. The number of course administrators furnished by each agency is roughly proportionate to the number of attendees from that agency. Instructors are examiners supplied by the member agencies and the states. This interagency cooperation has broadened the talent base from which in-

structors are drawn and allows for increased specialization by instructors.

Sharing teaching and other responsibilities on the basis of extent of school use has been a significant factor in keeping costs low. Tuition for regular courses is \$10 per day. This cost containment has also been of considerable help to states that send their examiners.

In 1984, training was provided for 1,799 examiners and other agency staff persons. Following are courses conducted and the total enrollment:

Course	No. of Sessions	No. Trained
<i>General Courses</i>		
Instructor Training	20	182
Management Workshop	22	471
Bank Municipal Dealer/MSRB Seminar	7	180
<i>EDP Courses</i>		
Fundamentals of Data Processing*	2	28
EDP Work Program School	4	75
EDP Technology Seminar	2	142
<i>International Banking Courses</i>		
Basic International Banking School	8	181
Intermediate International Banking School	7	152
International Banking Seminar	1	97
<i>Trust Courses</i>		
Basic Entry-Level Trust School*	2	57
Trust Seminar	2	116
<i>New Seminar</i>		
Large Dollar Transfer Risk Seminar	3	118
Total	80	1,799

* Council core-course. In addition to these sessions, the member agencies conducted several sessions designed to meet their specific needs, using Council materials as a foundation.

One additional program was added to the curriculum during 1984, the Large Dollar Transfer Risk Seminar. This two-day seminar was developed in response to the request of the Task Force on Supervision. It explains the risks involved in large wire transfers and explores methods that can reduce these risks.

Over the past three years, the Council has become increasingly involved in producing specialized seminars. The cost of attracting highly qualified

speakers for such programs can be great, and there are not large numbers of examiners within a single agency who need such a specialized seminar. By working together through the Council, the agencies have succeeded in designing such seminars and providing them at reasonable costs, usually less than \$80 per attendee.

1985 Course Descriptions

General Courses

Instructor Training

Instructor Training is a one-week course that prepares examiners for classroom teaching assignments. Students prepare lesson plans, give three classroom presentations, and critique other students' videotaped presentations. They learn the techniques of lecturing, leading discussions, and integrating the use of audio-visual aids. Attendees should be experienced examiners who anticipate teaching assignments in their agency or in Council courses. Twenty-five sessions are planned for 1985.

Management Workshop

The one-week Management Workshop emphasizes the managerial skills needed by examiners. Attendees bring survey instruments completed by themselves and by colleagues or subordinates, administer self-assessment questionnaires, and participate in small-group discussion sessions. The basic concepts are presented through lectures, films, videotapes, and slides. The desired results are an improved self-perception as a manager and greater knowledge of good management techniques. Participants should have a minimum of five years examining experience and some previous training in management. Twenty-two sessions are planned for 1985.

Bank Municipal Dealer/MSRB Seminar

The Bank Municipal Dealer/MSRB Seminar was approved as a Council offering in 1982. Topics include municipal securities dealer organization,

regulatory structure, professional qualifications, securities processing and clearance, underwriting, industry practices, and fair-practice rules related to trading and sales. Those who may attend this five-day course are senior assistant examiners, newly commissioned examiners, and individuals who examine or are expected to examine a bank municipal securities dealer department. This seminar is not designed for senior examiners who function solely in a supervisory capacity. Six sessions are planned for 1985.

EDP Courses

Fundamentals of Data Processing

Fundamentals of Data Processing, an entry-level course, deals with basic computer language and systems, and the creation, utilization, and storage of programs and data. Emphasis is on internal controls necessary from a supervisory standpoint. Although not designed to produce overall expertise in electronic data processing, this one-week course allows examiners to become familiar with key terminology and concepts necessary to operate effectively in today's increasingly automated world of finance. Candidates for attendance should have approximately one year of examination experience. During 1985, this course will also be conducted by individual agencies using Council course materials.

EDP Work Program School

The two-week EDP Work Program School instructs EDP examiners in the techniques of examination of a data processing center, using the Interagency EDP Work Program and the *Interagency EDP Handbook*. The examiner learns to write technical comments for examination reports and, upon completion of the course, is able to complete the EDP work program in its entirety. Attendees should have completed a basic course equivalent to the Council's Fundamentals of Data Processing, participated in a minimum of two EDP examinations, and met other requirements determined by their agency. Examiners who have worked

with the EDP work program and EDP examination procedures satisfactorily for 12 months or more are not encouraged to attend.

The EDP Technology Seminar

The EDP Technology Seminar is designed to update senior EDP examiners on current developments in the EDP area. The seminar features guest speakers who are nationally recognized authorities in their fields. Topics vary from session to session, as does the duration of the sessions. Two sessions will be conducted in 1985. The registration fee for this seminar may differ from the regular tuition fee.

International Banking Courses

Basic International Banking School

Students in the one-week Basic International Banking School learn the fundamental concepts, procedures, and terminology of international banking, as well as the roles of the regulatory agencies. Topics include country risk, international lending, trade finance, and foreign exchange. Prerequisites for attendance are a minimum of one year's experience as an examiner. No previous experience in international examinations is required. Candidates with over three months of recent international experience are encouraged to skip the Basic School and enroll in the Intermediate School.

Intermediate International Banking School

The purpose of the five-day Intermediate International Banking School is to raise attendees' international banking expertise to a higher level. The course gives more advanced treatment to many of the topics introduced in the basic school, emphasizing foreign exchange, international lending, and country risk. Case studies give the student analytical experience in these areas. Only senior examiner specialists teach in this course, aided in some sessions by an invited speaker from the banking industry. Agencies should carefully review the qualifications of

attendees, making sure they have a minimum of 24 months examining experience and have either completed the Basic School or recently had over three months international examination experience.

International Banking Seminar

The International Banking Seminar is a two-day seminar dealing with the international credit situation. The seminar provides a legislative and regulatory update and a country-by-country evaluation of country risk. One session is planned for early 1985. Speakers at this program will be leading international bankers and senior staff of the bank regulatory agencies. Attendance is limited to senior international examiners and senior examiners in charge. The registration fee for this seminar may differ from the regular tuition fee.

Trust Courses

Basic Entry-Level Trust School

The Basic Entry-Level Trust School, conducted primarily by the individual agencies using Council-developed materials, introduces students to the functions and organization of a trust department, the duties and responsibilities of a fiduciary, and the supervisory role of the regulatory agencies. This two-week course incorporates lectures, group discussion, and case studies. Participants are expected to have either 3 to 6 months of experience as a trust examiner or 18 to 24 months of commercial examining experience. In 1985, one session will be conducted by the Council.

Trust Seminar

The Trust Seminar emphasizes current events in the fiduciary field. Topics vary from session to session, and the seminar features guest speakers from the trust industry. Senior trust examination personnel are designated as attendees at this conference. Two sessions will be conducted in 1985. The registration fee for this seminar may differ from the regular tuition fee.

New Seminar

Large Dollar Transfer Risk Seminar

This new seminar was developed during 1984 and two sessions are scheduled for 1985. Attendees will learn how to examine a financial institution's large dollar wire transfer system, utilizing the *FFIEC Funds Transfer Activities Uniform Examination Procedures Manual*. Attendees will learn the risks involved in such transfers, and will be able to recommend procedures to minimize these risks, when called for. The target audience is those identified by each agency as likely to examine wire transfer systems, and examiners in charge who will be responsible for such examinations. This is a two-day seminar and tuition may differ from the regular rate for courses.

Task Force on Reports

During the year, the task force continued its involvement with the commercial bank Reports of Condition and Income (Call Reports), a major revision of which became fully effective March 31, 1984. The purpose of the revision was to obtain better supervisory data for improved off-site surveillance and to eliminate collection of data no longer needed. At year-end 1982, after a public comment period, a revision to the Call Reports was implemented in several stages to provide the agencies the most critically needed supervisory data as early as possible. The first several stages required all commercial banks to file the Report of Income quarterly, mandated accrual reporting by all banks with total assets of \$10 million or more, and introduced three new report schedules: (1) Past Due, Nonaccrual, and Renegotiated Loans and Lease-Financing Receivables, (2) Repricing Opportunities for Selected Balance-Sheet Categories, and (3) Commitments and Contingencies. The final stage of the revision was an updating of the data to be collected in the other report schedules as well as the reformatting and reordering of the schedules. New instruction books were also distributed to all insured commercial banks before the end of 1983.

While work on the revised Call Reports had essentially been completed in 1983, in the first quarter of 1984 the task force incorporated reporting requirements relating to allocated transfer-risk reserves established and maintained by banks as specified in the International Lending Supervision Act of 1983. Also, to provide commercial banks with timely guidance on the new instructional standards applicable to the revised reports, the task force implemented the use of temporary insert pages for inclusion by banks in the new instruction books for these reports. The federal banking agencies mail these pages to each bank as part of the quarterly Call Report package. The task force also completed the first formal revision to the Call Report instruction books and distributed it to commercial banks in September 1984.

After the implementation of the revised commercial bank Reports of Condition and Income, the task force received Council approval of conforming changes it had made to the Foreign Branch Report of Condition filed annually by overseas branches of U.S. banks. Although each of the three federal banking agencies had been collecting an identical report from the foreign branches under its primary supervision for several years, this report had not previously been brought under the Council's jurisdiction. The revised Foreign Branch Report of Condition (FFIEC Form 030) and its instructions became effective December 31, 1984.

The task force completed a proposed revision to the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC Form 002) during the first half of 1984. This revision would help the three federal banking agencies more effectively carry out their supervisory responsibilities over these branches and agencies and would bring the content of this report more closely in line with that of the revised commercial bank Report of Condition. The proposal was issued for public comment in July 1984 for a period that was eventually extended through the end of October. The task force has evaluated the comments, has made appropriate modifications to the pro-

posed revisions, and expects to seek Council approval of the revised report early in 1985. At the same time, work progressed on the instructions for the preparation of the revised Report of Assets and Liabilities. Implementation of this revised report will be scheduled for no earlier than the June 30, 1985 report date.

During the second half of the year, the task force devised a proposed Country Exposure Report for U.S. branches and agencies of foreign banks (proposed FFIEC Form 019) along with instructions for its preparation. The Council approved the issuance of this proposal for comment in late 1984, and a 90-day comment period began in January 1985. This proposed report would require U.S. branches and agencies of foreign banks with direct claims on foreign borrowers in excess of \$30 million to report certain data on their exposure each quarter, in much the same manner as U.S. banks are already required to do. During 1985, the task force plans to review the comments it receives, make appropriate adjustments to the proposed report and its instructions, request Council approval of the final package, and take the necessary steps to implement the report form no earlier than September 30, 1985.

As required by the International Lending Supervision Act of 1983, the frequency of collection of the Country Exposure Report prepared by U.S. banks with a large exposure to foreign borrowers (FFIEC Form 009) was increased from semiannually to quarterly. In addition, a Country Exposure Information Report (FFIEC Form 009a) was added to the main report to provide a vehicle for public disclosure of those countries to which the reporting bank has a significant exposure. Both of these changes became effective March 31, 1984.

The interagency trust working group established by the task force in 1983 to review the content of the Annual Report of Trust Assets (FFIEC Form 001) continued this assignment during 1984 and agreed on recommended changes in the reporting requirements. The task force has asked the working group to

prepare the materials necessary to receive the Council's approval to issue the proposed changes for public comment. The target date for implementation of the revision of the present report form and the instructions for its preparation is December 31, 1985. In addition, the Federal Home Loan Bank Board adopted the Annual Report of Trust Assets for its use in collecting data on the trust activities of savings and loan associations and federal savings banks.

During 1984, the task force also received Council approval of an Annual Report of International Trust Assets (FFIEC Form 006) to replace a letter survey that had previously been used to gather data on the overseas trust operations of U.S. banks. This new report is first being collected as of December 31, 1984.

At its November 1984 meeting, the Council directed the Task Force on Reports, with assistance from the Task Forces on Supervision and Surveillance Systems, to perform a study of the commercial bank Call Report data-collection system. This study is to examine the existing Call Report mechanism and how it might be altered to provide the various users with improved data whose frequency and level of detail are appropriate to the nature and condition of the reporting banks and the information needs of the users. This project is in its initial stages and will proceed during 1985.

A continuing function of the task force is to answer banks' questions about the proper interpretation of Call Report instructions and the appropriate treatment of new banking activities. The task force also monitors the agencies' processing of the Reports of Condition and Income to ensure high-quality data.

Task Force on Supervision

The Task Force on Supervision makes recommendations to the Council on matters relating directly to the examination and supervision of depository institutions. The task force, which is made up of the senior supervisory officials of the constituent agencies of the

Council, meets quarterly, with special meetings scheduled as needed. Its mandate from the Council is to address those supervisory issues and problems common to the constituent agencies and to find appropriate solutions. The goal is to improve the quality of supervision of depository institutions. The task force has a standing subcommittee on electronic data processing (jointly with the Task Force on Examiner Education) and a number of ad hoc subcommittees created to handle particular projects and assignments.

Activities of the Task Force

The task force completed the following projects in 1984:

- Development of a Uniform Report of Examination for commercial banks. The task force agreed on the format for a uniform Report of Examination, which was approved by the Council in 1984. The mandatory core of the report consists of a "comments and conclusions" section and sections dealing with each of the interagency CAMEL components: management and administration, asset quality, liquidity and funds management, earnings, and capital adequacy. The appendix of the report includes a number of specific schedules that may be used at the discretion of each agency. When a particular appendix section is used, it must conform to the specifications for the Uniform Report.
- Development and implementation of a mechanism to facilitate the interagency exchange of supervisory information. The agreement involves the OCC, FRB, FDIC, and FHLBB. The information to be exchanged concerns the shifting of subquality assets among institutions, formal and informal enforcement actions, change-of-control actions, and criminal referrals. State authorities can participate in the exchange by signing an agreement with their federal contact agency to abide by the same restrictions on the use of the data that apply to federal agencies.
- Following a discussion of the risks of

participating in large dollar fund transfer networks, the task force authorized development of a seminar on this topic for those examiners who are in charge of examinations of large institutions (those with \$1 billion or more in assets). Several of these seminars were held during 1984.

- The task force created a standing subcommittee to make recommendations on the appropriate classifications of securities with split ratings or suspended ratings, within the framework of the 1938 Accord.

The following projects of the task force are continuing or have just been started:

- A subcommittee of the task force is developing guidelines for the field testing of the new Uniform Report of Examination. The bulk of the field testing will be finished before April 1985. Several state authorities are participating in the field testing, along with the three federal banking agencies.
- Work is proceeding on a revision of the Report of Examination for U.S. branches of foreign banks.
- A subcommittee of the task force is working on a paper dealing with the risks associated with securities lending.
- A subcommittee of the task force is developing procedures that will be used in the collection and inter-agency exchange of information on chain-banking organizations.

Task Force on Surveillance Systems

The Task Force on Surveillance Systems was created to deliberate, at an inter-agency level, on matters concerning surveillance and monitoring systems. Its primary function is to formulate goals, set objectives, and establish priorities for tasks relating to the development, updating, and evaluation of effective computer-based systems and other surveillance procedures. The spe-

cific objective since its inception has been the development of uniform early warning systems to monitor the performance of financial institutions and identify potential or emerging financial problems. The task force is also responsible for the implementation and oversight of Council-approved surveillance systems and procedures.

Activities of the Task Force

In 1984, the task force further revised the Uniform Bank Performance Report (UBPR) as a result of changes in the commercial bank's Reports of Condition and Income, ensured the timely production and distribution of UBPRs, and continued to develop and refine common surveillance screening systems. Similar activities and further modifications and evaluation of surveillance procedures will constitute the bulk of task force activities in 1985.

Computer Surveillance Systems of the Federal Financial Regulatory Agencies

The federal financial regulatory agencies employ surveillance systems that generally consist of computer-generated screens that are used to isolate institutions that fail specific ratio benchmarks, computer-based analytical or performance reports that enable analysts or examiners to perform detailed analyses of financial organizations, and follow-up procedures for dealing with problems identified through the screening and analytical processes. Computer surveillance systems have proved essential as an adjunct to the examination process. These systems systematically order financial organizations on the basis of several historical statistical indicators of financial soundness. The periodic availability of these data between examinations can help identify those depository institutions whose financial condition or performance either improved or deteriorated since the last examination. This information helps to achieve a more efficient allocation of examination resources by allowing supervisory agencies to concentrate on those institutions whose problems warrant more immediate at-

tention and to conduct less frequent examinations of those with good or improved financial performance.

The UBPR is the most widely used tool in the performance of the supervisory and regulatory function. Supervisory officials and field examiners regard these performance reports as the primary source of information for the analysis of institutions that have been identified as exceptions. In fact, the reports have evolved into an integral part of the preexamination reviews, helping examiners focus on the more critical areas of a bank's financial performance.

Uniform Bank Performance Report (UBPR)

The UBPR is a report of historical and analytical financial information, produced quarterly for each insured commercial bank. These financial data are derived from the Reports of Condition and Income (Call Reports) submitted by each bank and include the latest quarterly Call Report data and annual data covering several years. The UBPR is designed to enable the user to evaluate a bank's current condition, analyze trends in its financial performance, and compare its performance with that of peer banks.

Each bank's UBPR consists of 20 to 22 pages arranged into four sections: (1) summary ratios, (2) income and expense data, (3) balance-sheet data, and (4) analysis of specific areas such as liquidity, capital, or repricing opportunities. The summary ratios provide an overview of the bank's performance; the succeeding pages provide detail on specific areas of concern or interest.

The report contains several groups and types of data for use in financial analysis:

- Data on the individual bank, consisting of dollar amounts for Call Report data, financial ratios, and percentile ranks within peer group for most of the ratios.
- Averages for the bank's peer group for most of the financial ratios. All banks are divided into 25 peer

groups, primarily on the basis of asset size. Adjusted means are used to prevent extreme values from distorting the average. Each UBPR includes a description of the bank's peer group.

- A page of averages for all banks in the state, with a breakdown by asset size, from the latest Call Report data.

UBPR Distribution and Use. In 1982, the Council adopted the following policy for distributing UBPRs and related data:

- UBPR data on all banks are made available to each federal banking agency quarterly. The agencies use the data to evaluate the condition of banks between examinations, help identify banks in need of timely attention, focus the examination on areas of concern, and identify banks eligible for limited-scope or less-frequent examinations.
- UBPRs for banks in a particular state are made available to the state banking supervisory agency to support state supervisory activities. All state banking agencies currently receive UBPRs.
- Each insured commercial bank receives a copy of its own UBPR each quarter. The UBPR has become an important management tool for many banks and is often incorporated into presentations that explain a bank's performance and condition to senior management and directors.
- UBPRs and Call Report data are made available to the public for a fee. In 1984, public orders for approximately 10,000 UBPRs were received from investors, public accountants, banks and other financial institutions, and others.

Copies of UBPRs may be obtained for \$25 per report, with quantity discounts available. A User's Guide describing the content of the reports may be obtained

for \$6 per copy. A Peer Group Report, covering all 25 peer groups, and a State Average Report, covering all state and U.S. territories, are also available for \$25 per report. Information on ordering UBPR items may be obtained by calling (202) 357-0111 or writing to:

Federal Financial Institutions
Examination Council
1776 G Street, NW
Suite 701
Washington, DC 20006

UBPR Changes in 1984. The UBPR is modified when necessary to reflect new or changed data collected on the Call Reports and to cover new areas of regulatory concern. A number of changes to the UBPR were made during 1984.

Substantial revision of the Call Report forms for March 31, 1984, contributed to the following changes effective with the March 1984 edition of the UBPR:

- a new deposit presentation distinguishing between deposits with regulated vs. unregulated interest rates
- classification of lease-financing receivables as loans for purposes of risk, portfolio, and loss and return analysis
- an alternative income presentation showing gains or losses on the sale of investment securities as part of operating income
- the classification of interest expense on mortgages and leases as an interest expense instead of an overhead expense
- more detailed information on noninterest income and on loan and lease losses and rates of return for some banks.

Other changes made during 1984 were:

- public availability of more data on repricing opportunities
- expansion of data on off-balance-sheet commitments and contingencies

- addition of data on officer and shareholder loans
- inclusion of data on allocated transfer risk reserves

A new *User's Guide* was also produced and distributed effective with the March 1984 UBPR.

Plans for the UBPR for 1985. It is anticipated that changes to Call Report content during 1985 will not occasion significant revisions to the format of the UBPR. Objectives for 1985 are:

- Revision of the Repricing Opportunities pages 10 and 10A to portray assets and liabilities as "interest-bearing" rather than "selected" and elimination of page 10P, which became largely redundant with the public release of pages 10 and 10A in 1984.
- Development of new UBPR products for the public, with the goal of providing more abbreviated data at a lower cost for those not requiring all the detail contained in the full report.

Legal Advisory Group

The Legal Advisory Group (LAG) serves as legal advisor to the Council. In fulfilling its function, LAG is concerned with legal issues arising in connection with activities of the Council, the task forces of the Council, and the Office of the Executive Secretary. For example, in 1984, LAG provided legal advice on risks associated with securities lending secured by standby letters of credit, on issues involved in exchanges of information between the agencies, and on disclosure of information pursuant to the Freedom of Information Act. In addition, LAG advised the Executive Secretary on various administrative matters.

LAG is composed of senior legal officers of the Council agencies. LAG's chairman during 1984 was the General Counsel of the FDIC.

The Federal Financial Institutions Regulatory Agencies and Their Supervised Institutions

The five federal financial institutions regulatory agencies represented on the Council have primary federal supervisory jurisdiction over more than 35,000 domestically chartered banks and thrift institutions, which, on June 30, 1984, held total assets of about \$3.8 trillion. The Federal Reserve Board and the Federal Home Loan Bank Board also have primary federal supervisory responsibility for commercial bank holding companies and for savings and loan holding companies, respectively.

In addition, the three banking agencies have authority to oversee the operations of U.S. branches and agencies of foreign banks. The International Banking Act of 1978 (IBA) authorizes the Office of the Comptroller of the Currency to license federal branches and agencies of foreign banks and permits U.S. branches to apply for insurance with the FDIC. It also subjects those U.S. offices to many provisions of the Federal Reserve and Bank Holding Company Acts. The IBA gives primary examining authority to the OCC, the FDIC, and the various state authorities for the offices within their jurisdictions and gives residual examining authority over all U.S. banking operations of foreign banks to the Federal Reserve Board.

The Board of Governors of the Federal Reserve System (FRB)

The FRB was established in 1913. It is headed by a seven-member Board of Governors. Each member is appointed by the President, with the advice and consent of the Senate, for a 14-year term. Subject to confirmation by the Senate, the President selects two Board members to serve four-year terms as Chairman and Vice Chairman. In activities most relevant to the work of the Council, the FRB—

- examines, supervises, and regulates state member banks, bank holding

companies, and Edge and agreement corporations; approves, or denies applications for mergers, acquisitions and change in control by state member banks and bank holding companies; and

- approves or denies applications for foreign operations of member banks and has residual supervisory responsibility for U.S. offices of foreign banks.

Implementation of policy decisions is carried out by the FRB and by the 12 Federal Reserve Banks, each of which has operational responsibility within a specific geographical area. Each Reserve Bank has a president and other officers and employs a staff of bank examiners who examine state member banks and inspect bank holding companies located within the Reserve Bank's district. All national banks must be members of the Federal Reserve System. State-chartered banks may apply and be accepted for membership.

Funding for the Reserve Banks is derived from interest received on Treasury and federal agency securities held as assets by the Reserve Banks. The funds for these investments are derived partially from non-interest-earning reserves that member banks and other depository institutions are required to hold at the Reserve Banks and partially from non-interest-bearing Federal Reserve notes (currency) issued by the Reserve Banks. The Reserve Banks pay the FRB assessments, which are used to meet the agency's expenses.

The Federal Deposit Insurance Corporation (FDIC)

The FDIC was created in 1933 as the third federal bank regulatory agency. It is headed by a three-member Board of Directors, no more than two of whom may be of the same political party. Two of the directors are ap-

pointed by the President, with the advice and consent of the Senate, for six-year terms, and one of those is elected by the Board to be Chairman. The Comptroller of the Currency is the third Board member and serves on the Board during his or her tenure as Comptroller.

The FDIC—

- provides deposit insurance for commercial banks, certain federal savings banks, and state-chartered savings banks;
- supervises FDIC-insured, state-chartered commercial and savings banks that are not members of the Federal Reserve System; and
- serves as receiver or liquidator of all closed national banks and as receiver of closed insured state-chartered banks.

The bank supervision functions of the FDIC are shared with state and other federal authorities. All national banks and state banks that are members of the Federal Reserve System must be insured by the FDIC. Nonmember state banks may apply for FDIC deposit insurance. The FDIC examines and supervises those banks under its purview, approves or denies applications for structural or corporate changes, and rules on applications for insurance.

The FDIC is organized geographically into 12 regions, each of which is headed by a regional director. The Corporation is funded by assessments on average total deposits of insured banks and interest income from its investment portfolio.

The Federal Home Loan Bank Board (FHLBB)

The FHLBB was established in 1932. It is headed by a bipartisan three-member Board appointed by the President, with the advice and consent of the Senate.

Full-term appointments are for four years, although uncompleted terms are filled only to completion. The Board is headed by a Chairman, named by the President. The FHLBB supervises the Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation (FSLIC) and regulates federally chartered savings and loan associations. Supervision of FSLIC-insured, state-chartered savings and loan associations is shared between the FHLBB and the chartering state. In addition, Title XII of Public Law 95-630 provided for a limited, new class of federal institution, the federal mutual savings bank. Such institutions are chartered and regulated by the FHLBB, and their deposits are insured by the FSLIC.

The Federal Home Loan Bank System is composed of 12 geographical districts, each of which has a district Federal Home Loan Bank. In addition to federally chartered and FSLIC-insured, state-chartered savings and loan associations, all of which must be members of the Federal Home Loan Bank System, a number of state mutual savings banks, uninsured state savings and loan associations, and life insurance companies have been accepted as members of the System. Federal savings and loan examiners, assigned to district offices located in the 12 Bank System districts, are employees of the FHLBB. Supervisory Agents, the enforcement personnel of the agency, are employed by the district Federal Home Loan Banks.

The Federal Home Loan Bank Board regulates the savings and loan associations and federally chartered mutual savings banks through a combination of—

- bank system, federal, and FSLIC insurance regulations;
- approval authority over new charters, branches and mergers of federal savings and loan associations and federal mutual savings banks;
- approval of FSLIC insurance for federally and state-chartered savings and loan associations and federal mutual savings banks;

- supervision of savings and loan holding companies; and
- examination of federal- and FSLIC-insured state-chartered savings and loan associations and federal mutual savings banks.

The FSLIC, under supervision of the FHLBB, insures individual accounts. All federally chartered savings and loan associations and mutual savings banks must be insured, and state-chartered institutions may apply and be accepted for insurance.

The FHLBB is funded by assessments on the district Federal Home Loan Banks and the FSLIC and by fees charged to the institutions it examines.

The National Credit Union Administration (NCUA)

The NCUA was created in 1970 as the successor to the Bureau of Federal Credit Unions established in 1934. The purpose of the NCUA is to charter, examine, supervise, and provide share insurance for all federal credit unions. The NCUA also provides insurance for those state-chartered credit unions that apply and are accepted. Title XVIII of Public Law 95-630 created, within the agency, a National Credit Union Central Liquidity Facility to improve the general financial stability of member credit unions by helping them meet their liquidity and stabilization needs. Membership in the facility is voluntary and is open to all federal and state credit unions.

The NCUA is headed by a bipartisan three-member Board appointed by the President, with the advice and consent of the Senate. The Board is headed by a Chairman, named by the President. The Chairman and the Board Members serve terms of six years.

Major responsibilities of the NCUA are:

- chartering federal credit unions;
- supervising federal credit unions;
- examining federal credit unions;

- providing administrative services for federal credit unions;
- administering the National Credit Union Share Insurance Fund (NCUSIF); and
- managing the Central Liquidity Facility.

In addition, the NCUA has statutory authority to examine and supervise NCUSIF-insured, state-chartered credit unions, although the current practice is to accept examination reports prepared by state supervisory authorities. The NCUA is financed by operating fees assessed against federal credit unions and by the investment income from the capital (1% of insured shares) that federally insured credit unions have deposited with the NCUSIF.

The Office of the Comptroller of the Currency (OCC)

The OCC is the oldest federal regulatory agency, having been established as a bureau of the Treasury Department by the National Currency Act of 1863. It is headed by the Comptroller, who is appointed to a five-year term by the President, with the advice and consent of the Senate.

The OCC is the regulator and supervisor of the national banking system. There are currently over 4,800 national banks, with over \$1.4 trillion in total assets, representing almost 60 percent of the total assets of U.S. commercial banks. The OCC is the only federal banking agency with authority to charter commercial banks. The OCC shapes the structure of the national banking system through its authority to approve or deny new bank applications, branch applications, and merger applications.

The principal supervisory goals of the OCC are to promote the safety, soundness, and competitiveness of the national banking system and to ensure compliance with law and regulation. The principal supervisory tools of the OCC are on-site examinations and detailed off-site analysis of national bank operations. As appropriate, the

OCC issues rules and regulations concerning bank lending, bank investment, and other aspects of bank operations.

The OCC is organized geographically into six districts, each headed by a Deputy Comptroller. The agency is

funded through assessments on the assets of national banks and by fees charged for corporate applications.

ASSETS, LIABILITIES AND NET WORTH of U.S. Commercial Banks and Thrift Institutions¹ for June 30, 1984
Billions of dollars

	Total	U.S. Commercial Banks ²			U.S. Branches and Agencies of Foreign Banks	Savings Banks	FSLIC-Insured Institutions			Credit Unions ³	
		National	State Member	Non-Member			Savings and Loan Associations		Savings Banks	Federal Charter	State Charter
							Federal Charter	State Charter			
Total Assets	3,792	1,433	446	531	255	137	515	304	81	61	29
Total loans and lease receivables (net)	2,394	865	261	291	136	81	410	232	62	38	18
Loans secured by real estate ⁴	1,110	216	40	106	5	68	392	221	58	2	2
Consumer loans ⁵	305	137	26	58	*	4	16	9	3	36	16
Commercial and industrial loans	625	350	116	86	60	6	3	3	1	†	†
All other loans and lease receivables ⁶	370	172	81	44	71	2	*	*	*	†	†
LESS: Allowance for possible loan and lease losses	19	11	3	3	‡	*	1	1	*	*	*
Federal funds sold and securities purchased under agreements to resell	107	56	18	23	7	3	†	†	†	†	†
Cash and due from depository institutions ⁷	391	195	70	53	55	4	6	5	1	1	1
Securities and other obligations ⁸	578	198	51	139	10	43	59	36	12	21	9
U.S. Gov't obligations ⁹	329	122	28	94	6	23	26	18	4	6	2
Obligations of state and local gov'ts ¹⁰	121	63	17	39	*	2	†	†	†	†	†
Other securities	126	13	5	5	4	18	33	18	8	15	7
Other Assets ¹¹	323	117	47	25	48	6	40	31	6	2	1
Total Liabilities	3,595	1,350	423	491	255	129	495	292	77	57	26
Total deposits and shares ¹²	2,951	1,100	324	461	134	122	417	247	64	56	26
Federal funds purchased and securities sold under agreements to repurchase	242	124	38	15	20	3	24	15	3	†	†
Other borrowings ¹³	202	45	26	5	46	3	46	23	8	*	*
Other liabilities ¹⁴	200	81	35	10	55	1	8	7	2	1	*
Net Worth¹⁵	196	83	24	40	‡	7	20	12	4	4	2
Memorandum: Number of institutions reporting	33,839	4,822	1,053	8,579	464	273	1,505	1,466	180	10,734	4,763

Symbols Appearing in Tables

- * = Less than \$500 million
- † = Not available separately
- ‡ = Not applicable

Footnotes to Tables

1. The table covers institutions, including those in Puerto Rico and U.S. territories and possessions, insured by the FDIC, FSLIC, or NCUSIF. All branches and agencies of foreign banks in the United States, but excluding any in Puerto Rico and U.S. territories and possessions, are covered whether or not insured. The table excludes Edge Act and agreement corporations that are not subsidiaries of U.S. commercial banks.
2. Reflects the fully consolidated statements of FDIC-insured U.S. banks—including their foreign branches, foreign subsidiaries, branches in Puerto Rico and U.S. territories and possessions, and Edge Act and agreement subsidiaries—and FDIC-insured banks in Puerto Rico and U.S. territories and possessions. Excluding bank holding companies.
3. The credit union data are for federally-insured credit unions only. They do not include data for approximately 3,200 state-chartered credit unions with total assets of approximately \$14 billion. Of the latter group, all but about 150 are insured by their respective states.
4. Loans secured by residential property, commercial property, farmland (including improvements) and unimproved land, and construction loans secured by real estate. For savings and loan associations, also includes mortgage-backed securities.
5. Loans, except those secured by real estate, to individuals for household, family, and other personal expenditures, including both installment and single-payment loans. Net of unearned income on installment loans.
6. Loans to financial institutions, loans for purchasing or carrying securities, loans to finance agricultural production and other loans to farmers (except loans secured by real estate), loans to states and political subdivisions and public authorities, and miscellaneous types of loans.
7. Vault cash, cash items in process of collection, and balances with U.S. and foreign banks and other depository institutions, including demand and time deposits and certificates of deposit for all categories of institutions. Savings and loan association data are for cash and demand deposits only. Time deposits are included in "Other securities."

INCOME AND EXPENSES of U.S. Commercial Banks and Thrift Institutions¹ for June 30, 1984

Billions of dollars

	Total	U.S. Commercial Banks			U.S. Branches and Agencies of Foreign Banks ¹⁶	Savings Banks	FSLIC-Insured Institutions			Credit Unions	
		National	State Member	Non-Member			Savings and Loan Associations		Savings Banks	Federal Charter	State Charter
							Federal Charter	State Charter			
Operating Income	370	154	44	57		12	54	31	8	6	3
Interest and fees on loans	256	101	29	34		8	45	25	7	4	2
Other interest and dividend income	84	37	11	19		4	6	3	1	2	1
All other operating income	31	16	5	4		1	3	2	*	*	*
Operating Expenses	349	144	41	52		12	53	30	8	6	3
Salaries and benefits	44	21	6	8		1	4	2	1	1	*
Interest on deposits and shares	209	76	21	31		10	38	21	6	4	2
Interest on other borrowed money	37	18	7	2		*	6	3	1	*	*
Provision for loan and lease losses	13	8	2	2		*	1	*	*	*	*
All other operating expenses	46	21	5	8		1	5	3	1	1	1
Net Operating Income	20	10	3	5		*	1	1	*	*	*
Securities Gains and Losses	*	*	*	*		*	*	*	*	*	*
Income Taxes	4	2	1	1		*	*	*	*	‡	‡
Net Income	16	8	3	4		*	*	1	*	*	*
Memorandum: Number of institutions reporting	34,248	4,822	1,053	8,579		273	1,505	1,466	180	10,734	4,763

8. Government and corporate securities, including mortgage-backed securities and loans to states and political subdivisions and to U.S. government agencies and corporations. For savings and loan associations, also includes time deposits and excludes mortgage-backed securities.

9. U.S. Treasury securities and securities of, and loans to, U.S. government agencies and corporations.

10. Securities issued by states and political subdivisions and public authorities, except for savings and loan associations that do not report these securities separately. Loans to states and political subdivisions and public authorities are included in "All other loans and lease receivables."

11. Customers' liabilities on acceptances, real property owned, various accrual accounts,

and miscellaneous assets. For U.S. branches and agencies of foreign banks, also includes net due from head office and other related institutions. For savings and loan associations, also includes equity investment in service corporation subsidiaries.

12. Demand, savings, and time deposits, including certificates of deposit at commercial banks, U.S. branches and agencies of foreign banks, and mutual savings banks; credit balances at U.S. agencies of foreign banks; and share balances at savings and loan associations and credit unions, including certificates of deposit, NOW accounts, share draft accounts, etc. For U.S. commercial banks, includes deposits in foreign offices, branches in U.S. territories and possessions, and Edge and agreement subsidiaries.

13. Interest-bearing demand notes issued to the

U.S. Treasury, borrowing from Federal Reserve Banks and Federal Home Loan Banks, subordinated debt, limited-life preferred stock and other non-deposit borrowing.

14. Depository institutions' own mortgage borrowing, liability for capitalized leases, liability on acceptances executed, various accrual accounts, and miscellaneous liabilities. For U.S. branches and agencies of foreign banks, also includes net due to head office and other related institutions.

15. Capital stock, surplus, capital reserves and undivided profits.

16. U.S. branches and agencies of foreign banks are not required to file reports of income.

NOTE: Because of rounding, details may not add to totals.



Appendixes



A. Title X of Public Law 95-630

Title X establishing the Federal Financial Institutions Examination Council is as follows:

Sec 1001. This title may be cited as the "Federal Financial Institutions Examination Council Act of 1978."

Purpose

Sec 1002. It is the purpose of this title to establish a Financial Institutions Examination Council which shall prescribe uniform principles and standards for the Federal examination of financial institutions by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Federal Home Loan Bank Board, and the National Credit Union Administration and make recommendations to promote uniformity in the supervision of these financial institutions. The Council's actions shall be designed to promote consistency in such examination to insure progressive and vigilant supervision.

Definitions

Sec 1003. As used in this title—

(1) the term "Federal financial institutions regulatory agencies" means the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration;

(2) the term "Council" means the Financial Institutions Examination Council; and

(3) the term "financial institution" means a commercial bank, a savings bank, a trust company, a savings and loan association, a building and loan

association, a homestead association, a cooperative bank, or a credit union.

Establishment of the Council

Sec 1004. (a) There is established the Financial Institutions Examination Council which shall consist of—

(1) the Comptroller of the Currency,

(2) the Chairman of the Board of Directors of the Federal Deposit Insurance Corporation,

(3) a Governor of the Board of Governors of the Federal Reserve System designated by the Chairman of the Board,

(4) the Chairman of the Federal Home Loan Bank Board, and

(5) the Chairman of the National Credit Union Administration Board.

(b) The members of the Council shall select the first chairman of the Council. Thereafter the chairmanship shall rotate among the members of the Council.

(c) The term of the Chairman of the Council shall be two years.

(d) The members of the Council may, from time to time, designate other officers or employees of their respective agencies to carry out their duties on the Council.

(e) Each member of the Council shall serve without additional compensation but shall be entitled to reasonable expenses incurred in carrying out his official duties as such a member.

Expenses of the Council

Sec 1005. One-fifth of the costs and expenses of the Council, including the salaries of its employees, shall be paid

by each of the Federal financial institutions regulatory agencies. Annual assessments for such share shall be levied by the Council based upon its projected budget for the year, and additional assessments may be made during the year if necessary.

Functions of the Council

Sec 1006. (a) The Council shall establish uniform principles and standards and report forms for the examination of financial institutions which shall be applied by the Federal financial institutions regulatory agencies.

(b)(1) The Council shall make recommendations for uniformity in other supervisory matters, such as, but not limited to, classifying loans subject to country risk, identifying financial institutions in need of special supervisory attention, and evaluating the soundness of large loans that are shared by two or more financial institutions. In addition, the Council shall make recommendations regarding the adequacy of supervisory tools for determining the impact of holding company operations on the financial institutions within the holding company and shall consider the ability of supervisory agencies to discover possible fraud or questionable and illegal payments and practices which might occur in the operation of financial institutions or their holding companies.

(2) When a recommendation of the Council is found unacceptable by one or more of the applicable Federal financial institutions regulatory agencies, the agency or agencies shall submit to the Council, within a time period specified by the Council, a written statement of the reasons the recommendation is unacceptable.

(c) The Council shall develop uni-

form reporting systems for Federally supervised financial institutions, their holding companies, and non-financial institution subsidiaries of such institutions or holding companies. The authority to develop uniform reporting systems shall not restrict or amend the requirements of section 12(i) of the Securities Exchange Act of 1934.

(d) The Council shall conduct schools for examiners and assistant examiners employed by the Federal financial institutions regulatory agencies. Such schools shall be open to enrollment by employees of State financial institutions supervisory agencies under conditions specified by the Council.

(e) Nothing in this title shall be construed to limit or discourage Federal regulatory agency research and development of new financial institutions supervisory methods and tools, nor to preclude the field testing of any innovation devised by any Federal regulatory agency.

(f) Not later than April 1 of each year, the Council shall prepare an annual report covering its activities during the preceding year.

State Liaison

Sec 1007. To encourage the application of uniform examination principles and standards by State and Federal supervisory agencies, the Council shall establish a liaison committee composed of five representatives of State agencies

which supervise financial institutions which shall meet at least twice a year with the Council. Members of the liaison committee shall receive a reasonable allowance for necessary expenses incurred in attending meetings.

Administration

Sec 1008. (a) The Chairman of the Council is authorized to carry out and to delegate the authority to carry out the internal administration of the Council, including the appointment and supervision of employees and the distribution of business among members, employees, and administrative units.

(b) In addition to any other authority conferred upon it by this title, in carrying out its functions under this title, the Council may utilize, with their consent and to the extent practical, the personnel, services, and facilities of the Federal financial institutions regulatory agencies, Federal Reserve Banks, and Federal Home Loan Banks, with or without reimbursement therefor.

(c) In addition, the Council may—

(1) subject to the provisions of Title 5, United States Code, relating to the competitive service, classification, and General Schedule pay rates, appoint and fix the compensation of such officers and employees as are necessary to carry out the provisions of this title, and to prescribe the authority and duties of such officers and employees; and

(2) obtain the services of such experts and consultants as are necessary to carry out the provisions of the title.

Access to Information by the Council

Sec 1009. For the purpose of carrying out this title, the Council shall have access to all books, accounts, records, reports, files, memorandums, papers, things, and property belonging to or in use by Federal financial institutions regulatory agencies, including reports of examination of financial institutions or their holding companies from whatever source, together with workpapers and correspondence files related to such reports, whether or not a part of the report, and all without any deletions.

Audits by the Comptroller General

Sec 1010. Section 117 of the Accounting and Auditing Act of 1950, as amended by the Federal Banking Agency Audit Act (Public Law 95-320), is further amended by:

(1) redesignating clauses (A), (B), and (C) of subsection (e)(1) as (B), (C), and (D), respectively, and inserting in subsection (e)(1) the clause "(A) of the Financial Institutions Examination Council;" immediately following "audits;" and

(2) striking out in subsection (e)(2) "and (C)" and inserting in lieu thereof "(C), and (D)."

B. 1984 Audit Report

To the Federal Financial Institutions
Examination Council:

In our opinion, the accompanying balance sheets and the related statements of revenues and expenses and of changes in financial position present fairly the financial position of the FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL at December 31, 1984 and 1983, and the results of its operations and the

changes in its financial position and its fund balances for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and

such other auditing procedures as we considered necessary in the circumstances.



Washington, D.C.
February 22, 1985

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Balance Sheets as of December 31, 1984 and 1983

ASSETS		
	<u>1984</u>	<u>1983</u>
OPERATING FUND:		
Cash, held by Board of Governors of the Federal Reserve System	\$ 44,097	\$125,588
Accounts receivable (Note 2)	<u>225,916</u>	<u>110,273</u>
Total operating fund	<u>270,013</u>	<u>235,861</u>
PROPERTY FUND (Note 1):		
Furniture and equipment, at cost	<u>106,048</u>	<u>91,176</u>
Total property fund	<u>106,048</u>	<u>91,176</u>
Total assets	<u>\$376,061</u>	<u>\$327,037</u>
LIABILITIES AND FUND BALANCES		
OPERATING FUND:		
Liabilities		
Accounts payable and accrued liabilities	\$318,036	\$204,896
Advances from member organizations	—	17,260
Accrued annual leave	<u>17,612</u>	<u>17,240</u>
	<u>335,648</u>	<u>239,396</u>
Fund balance (Note 1)		
Balance, beginning of year	(3,535)	185,471
Revenues under expenses	<u>(62,100)</u>	<u>(189,006)</u>
Balance, end of year	<u>(65,635)</u>	<u>(3,535)</u>
Commitments (Note 3)		
Total operating fund	<u>270,013</u>	<u>235,861</u>
PROPERTY FUND:		
Fund balance (Note 1)		
Balance, beginning of year	91,176	64,854
Additions, at cost	<u>14,872</u>	<u>26,322</u>
Total property fund	<u>106,048</u>	<u>91,176</u>
Total liabilities and fund balances	<u>\$376,061</u>	<u>\$327,037</u>

The accompanying notes are an integral part of these statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
 Statements of Revenues and Expenses for the Years Ended December 31, 1984 and 1983

	<u>1984</u>	<u>1983</u>
REVENUES:		
Assessments to member organizations (Notes 1 and 2)	\$ 571,000	\$ 438,000
Lodging facility rental (Note 3)	990,447	1,033,123
Tuition	106,675	100,580
Total revenues	<u>1,668,122</u>	<u>1,571,703</u>
FUNDED EXPENSES (Note 1):		
Lodging facility rental (Note 3)	962,226	1,010,251
Salaries and related benefits (Note 2)	339,220	326,961
Data processing	96,397	99,524
Rental of office space (Notes 2 and 3)	127,520	130,753
Printing	55,738	52,742
Administrative fees (Note 2)	30,000	26,650
Books and subscriptions	33,462	29,208
Travel	19,328	14,085
Rental and maintenance of office equipment	8,187	1,197
Postage	10,689	7,993
Professional fees	9,660	7,700
Telephone	8,488	7,989
Office supplies	6,541	6,681
Miscellaneous	7,522	3,930
Property additions (Note 1)	14,872	26,322
Total funded expenses	<u>1,729,850</u>	<u>1,751,986</u>
REVENUES UNDER FUNDED EXPENSES	(61,728)	(180,283)
Unfunded accrued annual leave	372	8,723
REVENUES UNDER EXPENSES	<u>\$ (62,100)</u>	<u>\$ (189,006)</u>

The accompanying notes are an integral part of these statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
 Statements of Changes in Financial Position for the Years Ended December 31, 1984 and 1983

	1984	1983
SOURCES OF CASH:		
Total revenues	\$1,668,122	\$1,571,703
Increase in accrued annual leave liability	372	8,723
Decrease in prepaid expenses	—	2,510
Increase in accounts payable and accrued liabilities	113,140	62,050
Total sources	<u>1,781,634</u>	<u>1,644,986</u>
USES OF CASH:		
Funded expenses	1,729,850	1,751,986
Unfunded accrued annual leave expense	372	8,723
Increase in accounts receivable	115,643	28,798
Decrease in advances from member organizations	17,260	84,026
Total uses	<u>1,863,125</u>	<u>1,873,533</u>
DECREASE IN CASH	(81,491)	(228,547)
CASH BALANCE, beginning of year	125,588	354,135
CASH BALANCE, end of year	<u>\$ 44,097</u>	<u>\$ 125,588</u>

The accompanying notes are an integral part of these statements.

**Notes to Financial Statements as of
 December 31, 1984 and 1983**

(1) Significant Accounting Policies

In preparing its financial statements, the Council has applied accounting principles which, in management's opinion, best reflect its financial position and results of operations. These accounting principles include certain principles which are generally accepted for organizations in the private sector and also certain principles which are generally accepted for Federal government agencies. A summary of significant accounting policies is shown below.

Revenues and Expenses—Assessments made on member organizations for operating expenses and additions to property are calculated based upon expected cash needs. Assessments, other revenues, and operating expenses are recorded on the accrual basis of accounting.

Property—The Council does not charge depreciation as an operating expense. Property additions are charged to expense in the Operating Fund in the year of acquisition; recoveries on the disposal of property are recorded as a reduction of expense in the Operating Fund in the year of disposition. When property is acquired or sold, the property asset accounts and the fund balance in the Property Fund are increased or decreased at cost.

(2) Transactions with Member Organizations

The five member organizations are each assessed

one-fifth of the expected cash needs based on the annual budgeted operating expenses of the Council. Each member organization was assessed an amount equal to \$114,000 in 1984 and \$88,000 in 1983.

The Board of Governors of the Federal Reserve System provides administrative support services to the Council. The Council paid the Board \$30,000 in 1984 and \$27,000 in 1983 for these services.

Member organizations provide office space, data processing and printing services to the Council. The Council paid member organizations \$272,000 in 1984 and \$252,000 in 1983 for these items.

The Council coordinates the production and distribution of the Uniform Bank Performance Reports (UBPR) through the Federal Deposit Insurance Corporation (FDIC). Revenues from the sale of the publication in excess of direct operating costs are remitted to the Council by the FDIC. Of the \$195,000 and \$126,000 received in 1984 and 1983, respectively, \$51,000 and \$45,000 were offset by related compensation costs incurred by the Council. The net balance is refundable to the UBPR's three sponsoring agencies (the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System) and is included in accounts payable at the end of each year. Of the \$195,000 and \$126,000 in UBPR receipts, \$93,000 and \$41,000 are due

the Council from the FDIC and are included in accounts receivable at December 31, 1984 and 1983, respectively.

Accounts receivable at December 31, 1984 and 1983, respectively, include \$61,000 and \$3,000 for UBPR related expenditures made by the Council on behalf of member organizations.

Council employees are paid through the payroll systems of member organizations. Salaries and fringe benefits disbursed on behalf of the Council are reimbursed in full to these organizations.

Member organizations are not reimbursed for the costs of personnel who serve as Council members and on the various task forces and committees of the Council. The value of these contributed services has not been included in the accompanying financial statements.

(3) Leases and Commitments

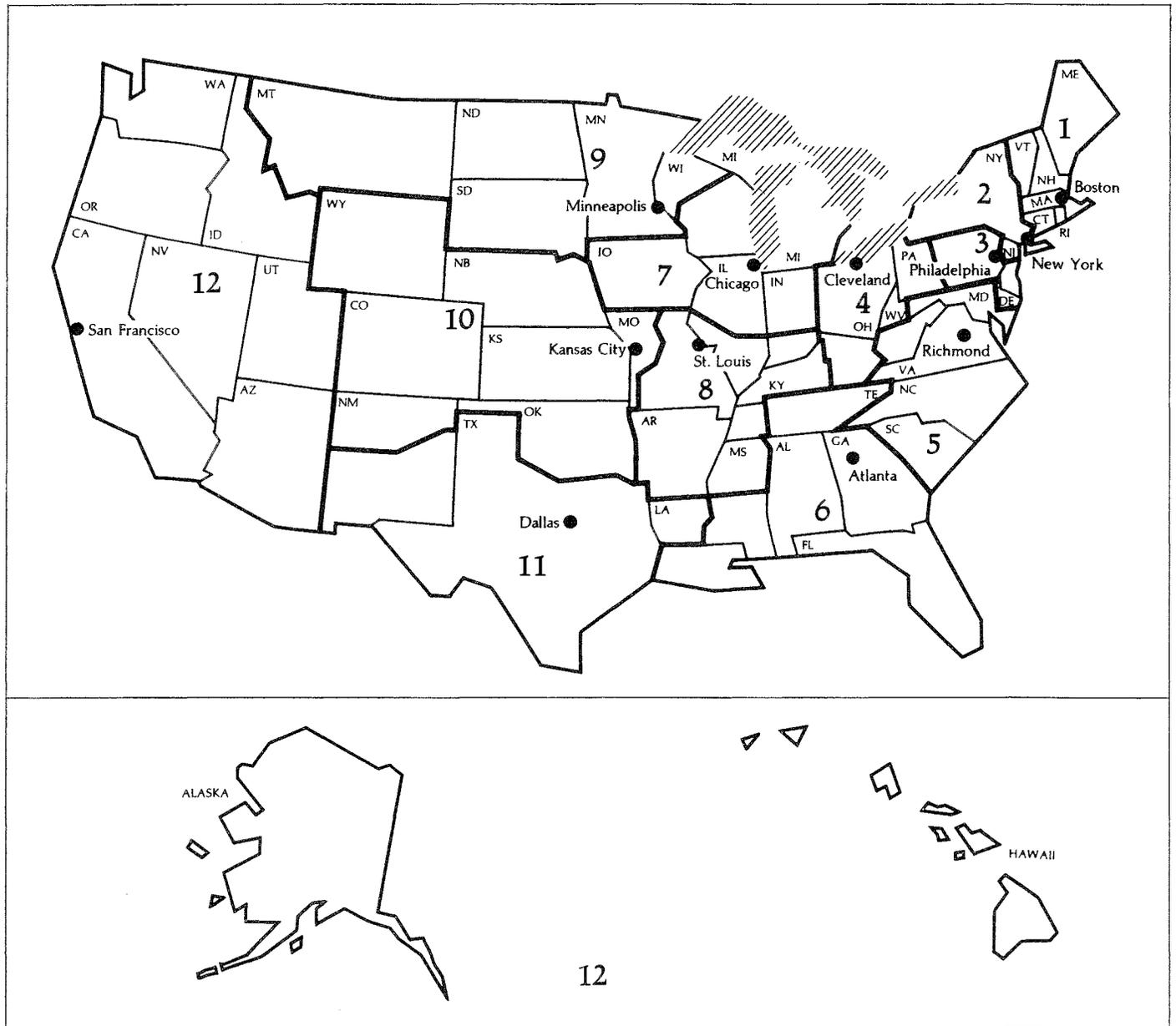
The Council leased efficiency units in Arlington, Virginia at a total cost of \$962,000 in 1984 and \$1,007,000 in 1983. The Council was reimbursed by the member organizations in proportion to their usage of the facility. The lease agreement may be renewed semi-annually through December 1988.

The future minimum lease payments associated with the renewal of this lodging facility and other leases through 1985 are \$534,000.

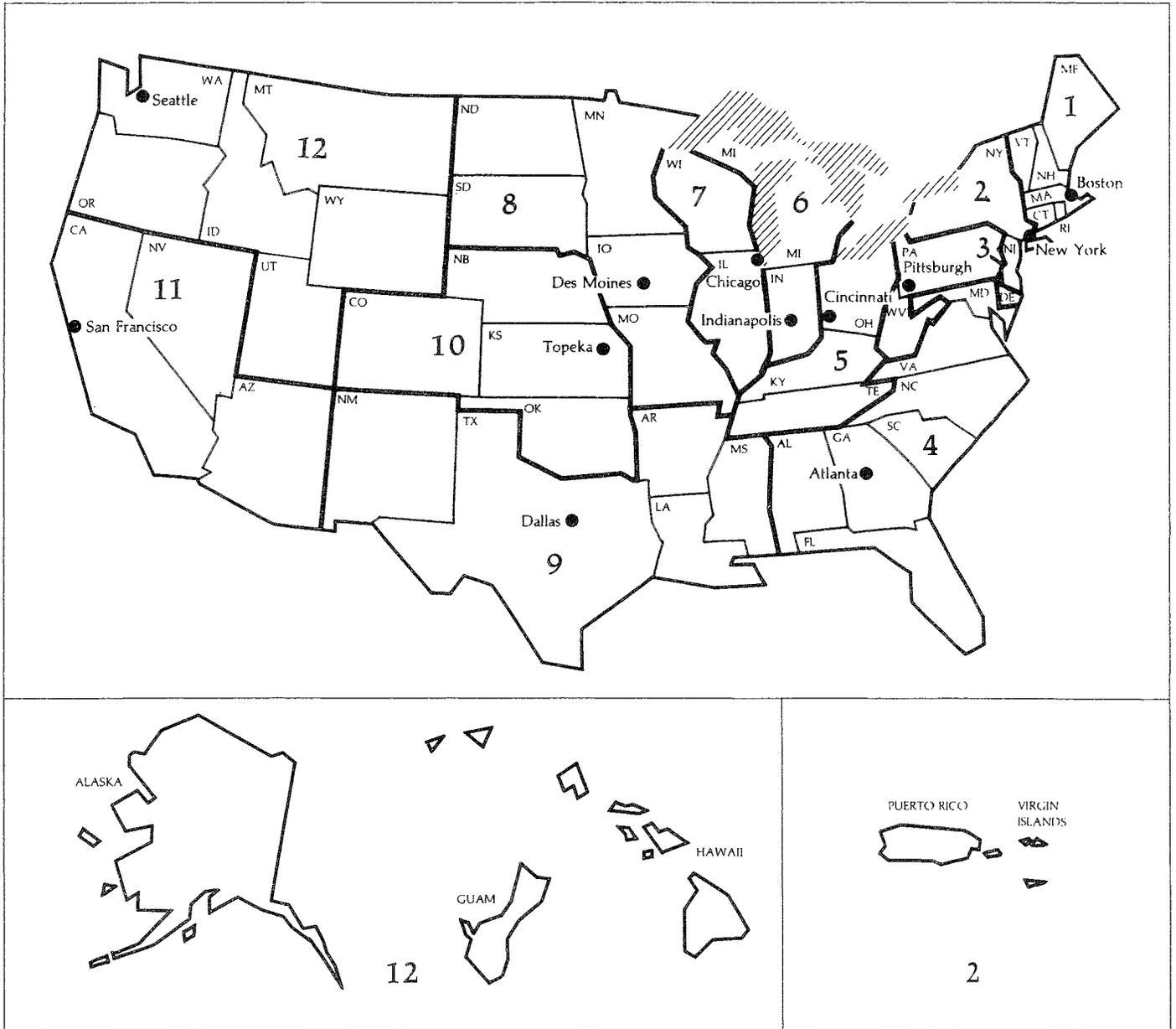
C. Maps of Agency Regions and Districts

- 34 Board of Governors of the Federal Reserve System
- 35 Federal Deposit Insurance Corporation
- 36 Federal Home Loan Bank Board
- 37 National Credit Union Administration
- 38 Office of the Comptroller of the Currency

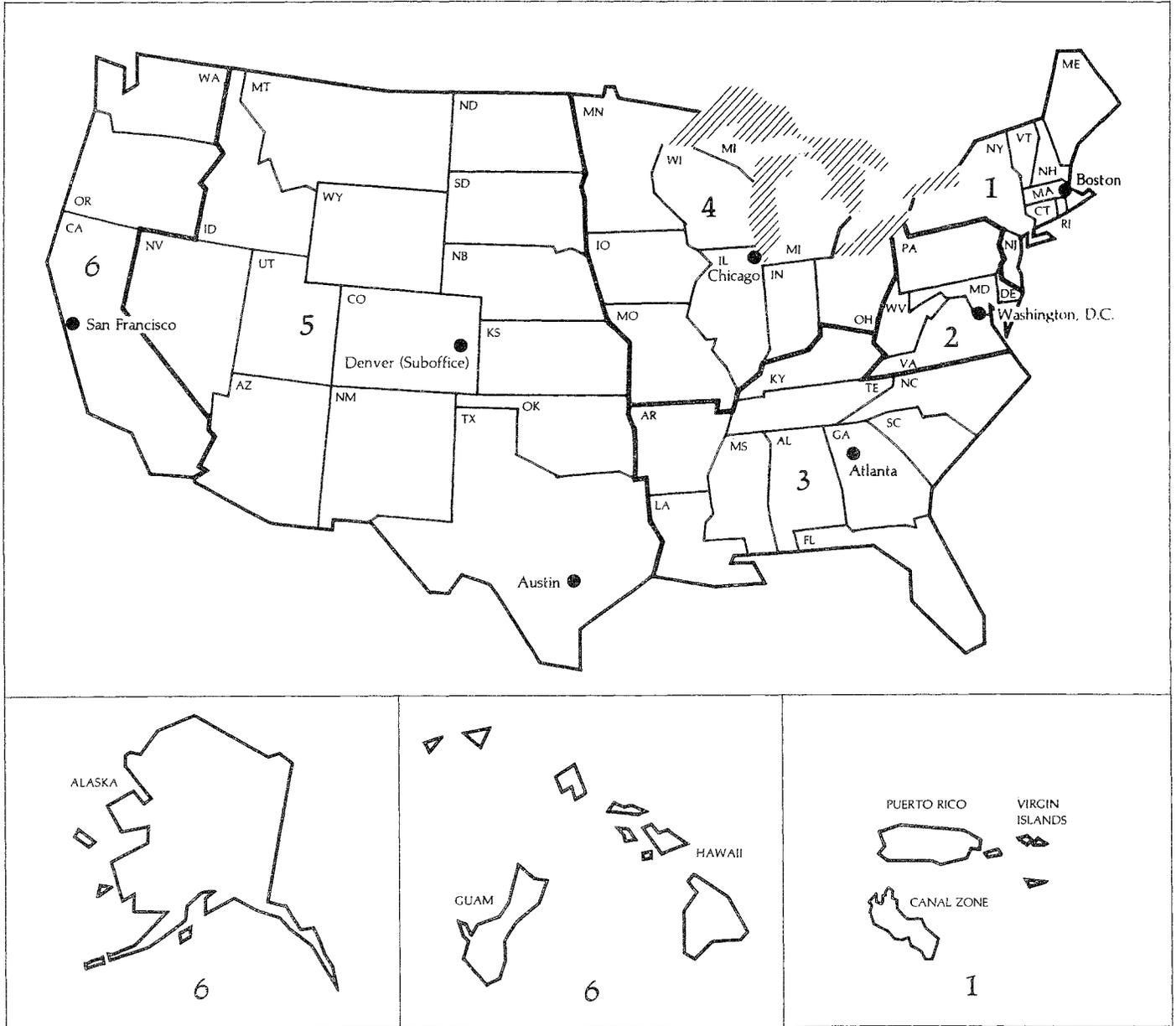
The Federal Reserve System Districts



Federal Home Loan Bank Districts



National Credit Union Administration Regions



Comptroller of the Currency District Organization

