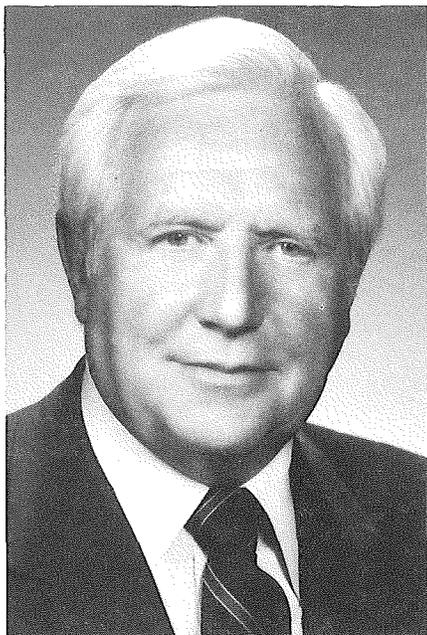




Annual Report 1987

Members of the Council



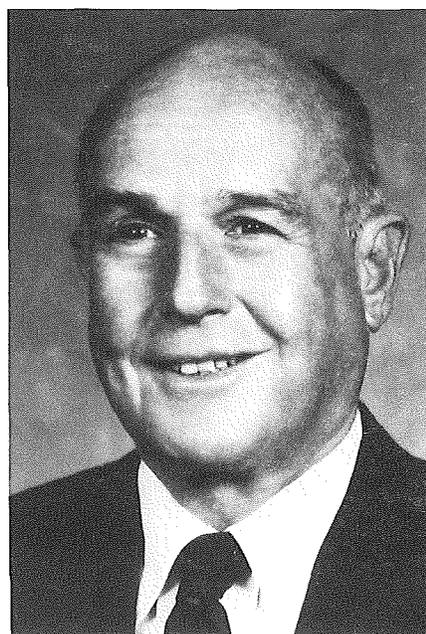
Roger W. Jepsen, *Chairman*
Chairman
National Credit Union Administration



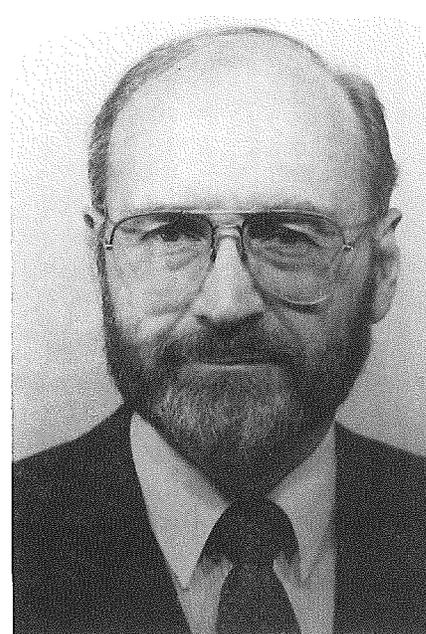
Robert L. Clarke, *Vice Chairman*
Comptroller of the Currency
Office of the Comptroller of the Currency



H. Robert Heller
Member
Board of Governors of the
Federal Reserve System



L. William Seidman
Chairman
Federal Deposit Insurance Corporation



M. Danny Wall
Chairman
Federal Home Loan Bank Board

Letter of Transmittal

Federal Financial Institutions Examination Council
Washington, DC
March 31, 1988

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 1987 Annual Report of the Federal Financial Institutions Examination Council.

Sincerely,

A handwritten signature in cursive script that reads "Roger W. Jepsen".

Roger W. Jepsen
Chairman

Table of Contents

- 1 The FFIEC—An Introductory Statement
- 3 Record of Actions of the Council
- 7 State Liaison Committee Report
- 9 Administration of the Council
- 11 Activities of the Interagency Staff Groups
- 19 The Federal Financial Institutions Regulatory Agencies and Their Supervised Institutions
- 22 Assets, Liabilities, and Net Worth of U.S. Commercial Banks and Thrift Institutions for June 30, 1987
- 23 Income and Expenses of U.S. Commercial Banks and Thrift Institutions for 12 Months Ending June 30, 1987
- 27 Appendix A: Title X of Public Law 95-630
- 29 Appendix B: 1987 Audit Report
- 33 Appendix C: Maps of Agency Regions and Districts



Council Chairman Roger W. Jepsen with General Counsel Robert M. Fenner.

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 Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). The purpose of Title X was to create a formal interagency 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 institutions, their holding companies, and the non-financial institution subsidiaries of those institutions and holding companies. It is to conduct schools for examiners employed by the five agencies represented on the Council and to make those schools available to employees of state financial institutions supervisory agencies. It is the overall intent of the legislation that the Council promote consistency in federal examinations and progressive and vigilant supervision.

The Council was given additional statutory responsibilities under the



Council discussion

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 1987 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 11

Action. Unanimously agreed that each of the five agencies should adopt its own policies on the disclosure to each depository institution of its supervisory agency's examination rating.

Explanation. There was some concern that disclosure of examination ratings would place an added burden on agency examiners because it might lead management of depository institutions to pay too much attention to the ratings themselves and not enough to problems that the examiners may have identified. Nonetheless, it was generally agreed that examination ratings would have to be disclosed if a risk-based capital requirement is adopted by the agencies. It was agreed that each agency should adopt its own policies in this area because the five agencies were at widely differing stages of consideration and implementation of this policy.

Action. Unanimously agreed that the Council's examiner education program should continue to be conducted in a facility shared with the FDIC in Rosslyn, Virginia, and agreed that the program would be conducted at the FDIC's Virginia Square complex when that facility becomes available.

Explanation. Since its inception in 1980, the Examination Council's examiner training program has been conducted in a facility shared with the FDIC in Rosslyn, Virginia. Because of the growth of the Council's training program, there was insufficient space

in the quarters occupied by the Council. To remedy this situation, it was decided that the FDIC would lease additional space in the same building in Rosslyn and that the Council would sublease from the FDIC adequate space for its own training program. Further, because the FDIC intends to construct a large new facility at Virginia Square in Arlington, Virginia, it was decided that the Council would lease space from the FDIC and move its training program to that facility when it becomes available.

February 20

Action. Unanimously approved the 1986 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 publish an annual report covering its activities during the preceding year.

April 21

Action. Unanimously approved guidelines relating to the Bank Bribery Act and recommended to the five agencies that they use the Council's guidelines in developing their own proposals that will be issued for public comment.

Explanation. The guidelines were developed in response to the 1986 amendments to the Bank Bribery Act (P.L. 99-370), which state that "Federal agencies with responsibility for regulating a financial institution shall jointly establish such guidelines as are appropriate to assist an officer, director, employee, agent, or attorney of a financial institution to comply with this section. Such agencies shall make such guidelines available to the public." The guidelines are not mandatory, and the institutions would have to decide how they should respond; but

the guidelines encourage them to adopt codes of conduct for all covered individuals.

The Council recognized that each agency would be tailoring its proposal to fit its particular requirements, e.g., one agency may issue the document as a guideline while another would issue it as a regulation. The substance of each agency's proposal, however, will conform to the guidelines approved by the Council.

Action. Unanimously approved the elimination of the Report of Condition (Call Report) Schedule RC-J, entitled "Repricing Opportunities for Selected Balance Sheet Categories." Certain Schedule RC-J data would, however, be collected on other Call Report schedules in order to obtain data that could be used for limited monitoring of bank interest-rate-sensitivity and liquidity positions.

Explanation. Schedule RC-J has generally been regarded as the most burdensome schedule in the quarterly Call Reports filed by commercial banks. While the Council remains concerned about the manner in which banks manage their exposure to interest-rate changes, it believes that less-detailed information can meet the supervisory needs of the three bank regulatory agencies while substantially reducing the reporting burden on the banking industry. To ensure that the necessary interest-rate-sensitivity analyses can be accomplished, certain new information will be collected in memoranda items in the separate Call Report schedules pertaining to securities, loans and leases, and deposits. The new information will include data on the maturities of fixed-rate—and the repricing frequencies of floating-rate—securities, loans and leases, and time certificates of deposit of \$100,000 or more in domestic offices.

Action. Unanimously approved adding a new item to Call Report Schedule RC-C, "Loans and Lease Financing Receivables," to collect the amount of loans outstanding under home equity lines of credit.

Explanation. Home equity lines of credit have grown rapidly given the favorable tax treatment accorded interest payments on such loans. Because of the growing significance of these loans, the Council believes it is important to gather information on them.

Action. Unanimously approved the appointments of Mary C. Short, Arizona Superintendent of Banks, and Howard B. Brown, Connecticut Banking Commissioner, to the State Liaison Committee.

Explanation. As required by statute, the Council has established a liaison committee of five representatives of state agencies that supervise financial institutions. Mrs. Short and Mr. Brown replaced Sidney A. Bailey of Virginia and Elaine B. Weis of Utah, who were completing their two-year terms as members of the Committee.

June 8

Action. Approved by a 3-0-2 vote the awarding to CompuServe, Inc., of a contract under which CompuServe would be the collection agent for the remote entry of Call Report data by banks.

Explanation. The Council's action provides for the development of a system that will permit commercial and savings banks to use computers to submit their Call Reports electronically to the federal bank supervisory agencies. CompuServe will serve as the collection agent for this electronic transmission system and will provide the communication network, administrative procedures, and coordination necessary to support this system. Alternatively, banks will be permitted to submit their Call Reports to CompuServe either on diskettes or tapes.

As CompuServe receives the data from banks, it will forward the data to the

federal banking agencies. Following an initial evaluation period, banks that use the CompuServe system to submit their Call Reports electronically will not need to submit hard copies of their reports to their federal bank regulators. Those banks that do not use the CompuServe system will continue to submit Call Reports in the traditional hard-copy format using agency-supplied, preprinted forms or computer-generated facsimile report forms.

The new system is expected to be fully operational for the reports to be prepared as of March 31, 1988.

August 4

Action. Approved by a 4-0-1 vote the provision of a second copy of the Uniform Bank Performance Report (UBPR) to those state supervisory agencies requesting them.

Explanation. In 1986 the Examination Council modified the interagency agreement on the UBPR to provide a single copy of the UBPR, rather than two copies, to each state supervisory agency. The State Liaison Committee advised the Council that this reduction in the number of copies had placed an added burden on smaller state staffs to reproduce a second copy of the UBPR for their field offices. The Council decided, therefore, to amend the interagency agreement to provide a second copy to those states requesting it. The Council believes that it can produce second copies at a lower cost than the individual states.

December 17

Action. By a 3-1-1 vote, decided to rescind the Council's action of March 12, 1985, which approved a Uniform Report of Examination for commercial banks with an implementation date of September 1, 1985. The Council, however, directed the staff to continue its efforts to develop a uniform report of examination.

Explanation. On March 12, 1985, the Council approved a Uniform Report of

Examination and prescribed its use by the three bank regulatory agencies, setting an implementation date of September 1, 1985. By September the Federal Reserve had implemented the new report. The Office of the Comptroller of the Currency (OCC) advised the Council that it would not be implementing the new report because its supervisory approach was under review. The Federal Deposit Insurance Corporation (FDIC) did not implement the new report and advised the Council that it is awaiting a decision by the OCC before proceeding.

The Council, though rescinding its earlier action, expressed its desire to have a uniform examination report for commercial banks and directed the staff to continue its efforts to develop such a report.

Action. Approved by a 4-0-1 vote the issuance, for public comment, of a proposal to define the term Call Report "submission date" as the date by which the banking agencies receive a bank's completed Call Report and to require those banks with more than one foreign office that use the additional 15 days given to them for the completion of their Call Reports to submit their reports electronically.

Explanation. The Council believes that the off-site monitoring of the financial condition of banks, particularly larger banks, would be enhanced if the banking agencies received the Call Report data sooner.

There has been some confusion over the years concerning the term "submission date" for the Call Reports. Some have interpreted it as meaning the date by which the report must be mailed, while others have viewed it as the date by which the report must be received by the bank regulatory agency. The interpretation approved by the Council may require some banks to submit the report earlier than in the past, but it is believed that any added burden from such a minor change in reporting schedules will be minimal. The Council also decided that a bank's report will be considered as submitted on time if the report has been mailed first class

and postmarked not later than the third day before the submission date. For those banks using an overnight mail service, entry of the report into the mail system in time for delivery on the submission date will be considered an on-time submission.

For larger banks, generally those with more than one foreign office, the earlier submission will be accomplished by requiring the use of the electronic transmission system. This requirement would not take effect, however, until the system has been fully tested and is functioning properly.

The Council allowed a 60-day comment period for these proposed changes.



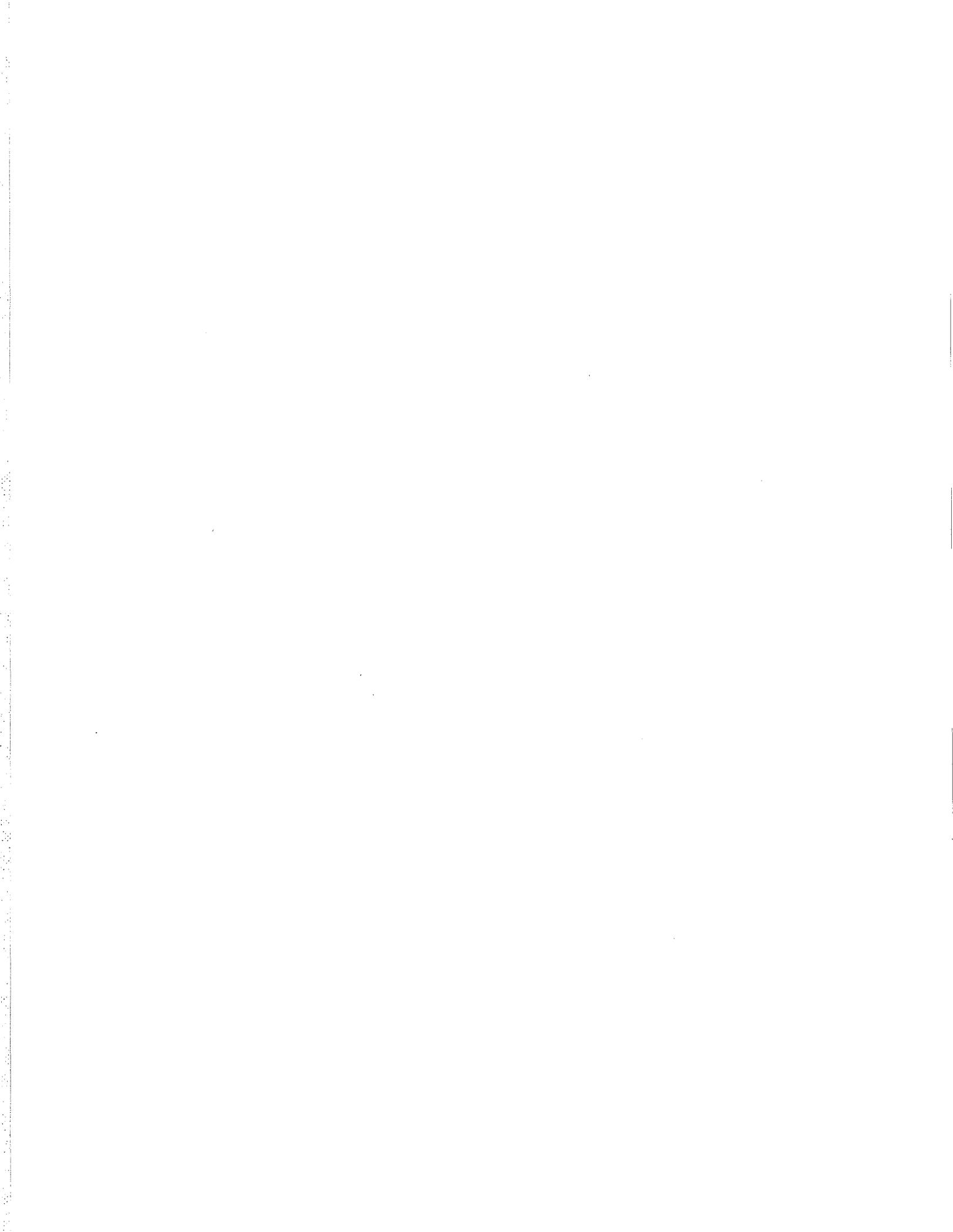
Examination Council in session, 1987.

Actions Taken Under Delegated Authority

August 4

The Task Force on Examiner Education approved the following two courses for inclusion in the Council's examiner education program:

- EDP Symposium
- White Collar Crime



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 carries 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 foster communication and cooperation between state and federal supervisory authorities and to reduce redundant supervisory procedures.

The Council provides the SLC staff with a 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 other 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 the Council to become the central forum for the development of new and improved approaches to financial institution examination and supervision. The SLC believes that the Council can effectively 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.

Organization

The SLC consists of five representatives of state agencies that supervise

financial institutions. The representatives are appointed for two-year terms. A member who has served a full two-year term may not be successively re-appointed. 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 American Council of State Savings Supervisors, the Conference of State Bank Supervisors, and the National Association of State Credit Union Supervisors. A list of the SLC members appears on page 10 of this report.

Participation in Examination Council Activities

During 1987 the SLC actively participated in actions taken by the Council and established the states' position on policy matters adopted by the Council.

At the February 3 meeting, the SLC requested that the federal banking regulators adopt the provision that would exempt banks with total assets of less than \$500 million from the reporting requirements of Call Report Schedule J, "Repricing Opportunities for Selected Balance Sheet Categories." The exemption request was based upon the continuing effort by the Council to reduce the regulatory burden on supervised institutions.

During the April 21 meeting, the SLC Chairman urged expansion of the Council's examiner education activities. The SLC believes the Council is missing an opportunity to improve the efficiency and quality of examiner education.

At the August 4 meeting, the SLC requested that the Council consider

modifying the 1986 interagency agreement that limited the number of copies of the Uniform Bank Performance Report (UBPR) provided to state banking departments. Modifying the interagency agreement had placed additional burden on smaller state staffs to reproduce a second copy of the UBPR for state field offices.

At the same meeting, the SLC supported reducing the time financial institutions have available to submit Call Reports. Moving up the Call Report submission dates would allow the regulatory agencies to obtain and analyze the data sooner, thereby enhancing their ability to conduct off-site surveillance of banks.

On another issue, the SLC expressed concern about Truth in Lending disclosures on home equity loans and the lack of standardization of those disclosures. Further, questions were raised about consumers' understanding of the potential pitfalls surrounding the use of home equity lines of credit tied to the use of credit cards.

During the December 17 meeting, the SLC indicated a survey conducted by the SLC during mid-1987 had supported the adoption and implementation of a uniform report of examination (UROE). The SLC urged the Council not to abandon efforts to develop the UROE.

The SLC agreed to join in the development and issuance of a interagency policy statement addressing fraudulent securities activities and undesirable practices that have been encountered in supervised financial institutions.

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. Most of the Council's funds are derived from semiannual assessments on the five agencies represented on the Council, with each agency contributing one-fifth of the total assessment. The Council also receives reimbursement for the services it provides in support of preparation of the quarterly Uniform Bank Performance Report, and tuition fees cover some of the costs associated with the Council's examiner education program. 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 administrative staff in its Operations office, and the Council's examiner education program is administered by Council staff located in the Council's Examiner Training Facility in Rosslyn, Virginia. Each Council staff member is detailed from one of the five agencies represented on the Council but is considered an employee of the Council. All Council employees are in the Office of the Executive Secretary. 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 activities 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;
- coordinate the collection, production, and distribution of Home Mortgage Disclosure Act data;
- manage the Council's examiner education program; and
- manage the Council's residential facility for examiners.

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 1987 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 1987 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 American Council of State Savings Supervisors, the Conference of State Bank 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, 1987

Members of the Council

Roger W. Jepsen, *Chairman*
Chairman
National Credit Union
Administration (NCUA)

Robert L. Clarke, *Vice Chairman*
Comptroller of the Currency
Office of the Comptroller of
the Currency (OCC)

H. Robert Heller
Member
Board of Governors of the
Federal Reserve System (FRB)

L. William Seidman
Chairman
Federal Deposit Insurance
Corporation (FDIC)

M. Danny Wall
Chairman
Federal Home Loan Bank
Board (FHLBB)

State Liaison Committee

Michael N. Fitzgerald, *Chairman*
Director, Credit Union Division
Michigan

Howard B. Brown
Commissioner, Connecticut
Banking Commission
Connecticut

John E. Malarkey
Commissioner, Delaware State
Bank Commission
Delaware

Mary C. Short
Superintendent of Banks
Arizona

L. Scott Walshaw
Commissioner, Financial
Institutions Division
Nevada

Council Office of the Executive Secretary

Robert J. Lawrence
Executive Secretary

John P. Newton
Manager of Examiner Education

Keith J. Todd
*SLC Coordinator and Assistant
Executive Secretary*

Agency Liaison Group

Joe M. Cleaver (FRB)
Jonathan L. Fiechter (FHLBS)
Paul G. Fritts (FDIC)
Robert J. Herrmann (OCC)
Donald E. Johnson (NCUA)

Legal Advisory Group

Robert M. Fenner, *Chairman* (NCUA)
John L. Douglas (FDIC)
Jordan Luke (FHLBB)
Paul A. Schoot (OCC)
J. Virgil Mattingly (FRB)

Interagency Staff Task Forces

Consumer Compliance

Richard Tucker, *Chairman* (FHLBB)

Martin F. Kushner (NCUA)
Glenn E. Loney (FRB)
John H. McDowell (OCC)
Janice M. Smith (FDIC)

Examiner Education

Martin F. Kushner, *Chairman* (NCUA)
C. Roger Denesia (FDIC)
Gerry B. Hagar (OCC)
Joe M. Cleaver (FRB)
Roberta J. Wagner (FHLBS)

Reports

Robert F. Storch, *Chairman* (FDIC)
William L. Robertson (FHLBS)
Karen Fulton (NCUA)
David C. Motter (OCC)
Rhoger H Pugh (FRB)

Supervision

Robert J. Herrmann, *Chairman* (OCC)
Darrel W. Dochow (FHLBS)
Paul G. Fritts (FDIC)
William Taylor (FRB)
Nicholas Veghts (NCUA)

Surveillance

James I. Garner, *Chairman* (FRB)
Charles V. Collier (FDIC)
Jonathan L. Fiechter (FHLBS)
Karen Fulton (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 those 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 inter-agency 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 Compli-

ance was created to promote policy coordination and uniform enforcement of consumer laws by the five agencies represented on the Council. It is composed of senior personnel who are knowledgeable in consumer compliance matters. The task force identifies and studies problems concerning consumer compliance and promotes uniformity in policies and procedures used by the member agencies.

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 Federal Trade Commission Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Electronic Fund Transfer Act, the Community Reinvestment Act, the Fair Debt Collection Practices Act, the Right to Financial Privacy Act, National Flood Insurance, the Expedited Funds Availability Act, and agency regulations on savings and time deposits. The task force also addresses other legislation, regulations, or policies at the state and federal level that have a potential impact on the agencies' consumer compliance responsibilities.

Activities of the Task Force

During 1987, action was completed, or neared completion, on several major task efforts.

On March 6, 1987, a Joint Policy Statement on Basic Financial Services was published in the Federal Register. This was based on preliminary work in 1986 by the task force's Subcommittee on Financial Services. Simultaneously, each regulatory agency sent letters to pertinent trade associations requesting support for the policy state-

ment and active promotion of its aims. The policy statement urged financial institutions to adopt policies that provide citizens in their communities a safe place to keep money, a way to get cash, and a way to make third-party payments.

By the end of 1987, the Federal Reserve Board (FRB), Federal Home Loan Bank Board (FHLBB), and Office of the Comptroller of the Currency (OCC), had issued parallel proposed regulatory amendments establishing uniform disclosures for adjustable-rate mortgages (ARMs). In December, the Federal Reserve Board adopted a final uniform ARM disclosure. It will take effect October 1, 1988, along with parallel changes by the FHLBB and OCC.

Three brochures on the mortgage application process were prepared by the FHLBB and FRB; reviewed by numerous government, trade, and consumer organizations; and scheduled for publication in early 1988. As requested by Congress, the brochures will be distributed by all the trade associations involved in the mortgage application process.

Due to increased demand, the task force's updated brochure "Important Consumer Information" was reprinted twice during the year. The task force also explored the possibility of additional distribution through the General Services Administration Consumer Information Center, in Pueblo, Colorado. However, GSA decided not to use the brochure.

The task force established a subcommittee on consumer compliance examinations, which has undertaken the task of updating the uniform consumer compliance examination procedures previously adopted by the task force. The uniform procedures will be changed only to the extent that more recent laws, regulations, or events require revision.

The task force had one meeting with representatives of the Federal Insurance Administration to explore ways in which the task force can support the National Flood Insurance Program. The FIA representatives noted that while housing construction has increased, the number of flood insurance policies has not. This issue was referred to the subcommittee on consumer compliance examinations.

The task force also established a subcommittee that drafted several new questions and answers on Truth in Lending restitution. The subcommittee proposals were referred to the member agencies for review and approval.

Task Force on Examiner Education

The Council training program's emphasis on specialized and advanced topics has provided examiners with much-needed training. Programs are also open to state examiners and examiners from foreign countries.

The goals of the training program are—

- to foster uniformity of examiner training through interagency training;
- to promote efficiency by eliminating duplication where agencies' training needs are the same;
- to develop and offer high-quality courses, seminars, and conferences that meet financial institution examiner needs; and
- to provide assistance in developing training opportunities for state supervisory agencies.

The interagency training effort has been quite successful for a number of reasons. It is sometimes less costly to offer one course on behalf of the five member agencies than five courses on the same subject. Also, when an agency participates in a Council course, it assigns instructors as if it were the agency's own course. Since the pool of potential instructors is greater when five agencies are involved, it results in instructors' being better suited to the teaching assign-

ment. Larger numbers of instructors from which to choose helps spread the teaching burden among more examiners and also spreads the personal benefits among more instructors.

It is ideal when the course needed by an examiner is available at the proper time in his or her development. Cooperating to offer courses jointly means that more course sessions will be available throughout the year. For example, 26 sessions of Management Workshop and 18 sessions of Instructor training were offered in 1987.

The Council has been expanding its offerings of specialized conferences and seminars. A single agency often finds it costly to sponsor such conferences for a few examiners. However, the combined needs of five agencies and the states make such conferences economical. The out-of-pocket tuition cost averaged \$85 per attendee at conferences. Including 6 large sessions of White Collar Crime, 24 specialized conferences were offered in 1987.

Activities of the Task Force

Since the inception of its program, the Council has provided training to 18,973 attendees. During 1987, a curriculum of 19 approved courses and conferences was offered. The agencies that constitute the Council provided instructors, and industry members served as guest speakers. Interagency course-development groups provide guidance on topics and speakers. The programs draw instructor talent from all member agencies and guest speakers from a wide spectrum of the industry.

Two new courses were approved in 1987, the EDP Symposium, and White Collar Crime. The EDP Symposium is aimed at the highest level of EDP examiner and provides an opportunity for those examiners to discuss developing areas of concern. The attendees produce a "white paper" containing recommendations to the Supervision Task Force. Thus, an opportunity is provided to discuss any needed enhancements to examination techniques before problems develop.

The White Collar Crime course is aimed at alerting examiners to possible signs of fraud and insider abuse. In this course, considerable attention is given to fraudulent activities involving computers, real estate, and securities.

1987 Courses

Course	No. of Sessions	No. Trained
Bank Securities Dealer/MSRB Conducting Meetings With Management	7	161
Instructor Training	19	239
Management Workshop	18	176
Fundamentals of Data Processing	26	581
EDP Work Program	5	73
Basic Entry-Level Trust	3	58
International Banking I	0	0
International Banking II	8	181
International Capital Markets	7	124
White Collar Crime	4	81
EDP Symposium	6	379
Asset/Liability Management (Pilot Session)	2	25
Foreign Exchange & International Treasury Operations	1	29
<i>Conferences</i>		
EDP Technology	2	51
Income Property Lending	1	90
International Banking	4	264
Large Dollar Transfer Risk	1	156
Off Balance Sheet Risk	3	162
Trust	7	470
	2	146
Total	126	3,446

Facilities

The Council leased new training facilities on the tenth floor of its present location. This provides the training center with one-half floor, 9,250 sq.ft. of training and office space. Two classrooms and several break-out classrooms are provided. When overflow classrooms are needed, these are borrowed from the FDIC, which leases the other half of the floor.

General Development 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

videotaped replays of the 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. Eleven sessions are planned for 1988.

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, and videotapes. 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' examination experience and some previous training in management. Twenty-five joint sessions are planned for 1988.

Conducting Meetings with Management

This one-week course gives participants practice and confidence in organizing and leading meetings with financial institution management. Each attendee leads three meetings with small groups role-playing officers of an institution. Difficult meeting circumstances and problem reports are the subjects of the exercises. Videotaped replays augment post-presentation critiques.

The target audience is commissioned examiners who are beginning to lead discussions with management and others who want to improve their meeting leadership skills. Twenty-seven sessions of this one-week course are planned.

EDP Courses

Fundamentals of Data Processing

This one-week course is designed to provide a basic understanding of ter-

minology and systems in use. It is aimed at those who have been examiners for two years or less, but there are no prerequisites for attendance. Emphasis is on controls necessary from a supervisory standpoint. Topics include: operations, security, data base management, teleprocessing, micro-computer systems, wire transfer, serviced institutions, and EDP audit and examination. These topics are dealt with on an introductory level.

EDP Work Program

The two-week EDP Work Program 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 examination procedures satisfactorily for 12 months or more are not encouraged to attend.

EDP Technology Conference

The EDP Technology Conference is designed to update senior EDP examiners on current developments in data processing, software, systems development, security controls, telecommunications, auditing, computer fraud, and many other issues. The conference features guest speakers who are nationally recognized authorities in their fields. Topics and duration vary from session to session.

Trust Courses

Basic Entry-Level Trust

This course, 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.

Trust Conference

The Trust Conference emphasizes current events in the fiduciary field. Topics vary from session to session, and the conference features guest speakers from the trust industry. Senior trust examination personnel are designated as attendees at this conference. Two sessions will be conducted in 1988.

International Courses

International Banking I (formerly Basic International Banking)

In this one-week course students 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.

International Banking II (formerly Intermediate International Banking)

The purpose of this one-week course is to build on the knowledge gained in the basic course. This course gives more advanced treatment to many of the topics introduced in the basic course, 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. Participants usually have a minimum of 24 months' examining experience and have completed the basic course. Candidates must have on-

going professional responsibilities in international banking.

International Banking Conference

The International Banking Conference is a three-day program dealing with the international credit and regulatory situation. The conference includes an update on legislation and regulations. One session is planned for late 1988. 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.

International Capital Markets (formerly Advanced International Banking Workshop)

The purpose of this new one-week program is to focus on a few financial products currently in vogue in international banking. The following topics will each receive one day of discussion: foreign currency futures and options, interest rate and multicurrency swaps, and international lending and back-up facilities. Participants will be able to analyze records of transactions, address regulatory concerns, and write any needed examination comments. Prerequisites include completion of International Banking II and the recommendation of one's agency course development group representative in Washington. This course is aimed at advanced international examiners who will examine such activities in the immediate future.

Other Courses

Bank Securities Dealer/MSRB/GSA

The Bank Securities Dealer/Municipal Securities Rulemaking Board/Government Securities Act course was approved as a Council offering in 1982. Topics include municipal and U.S. government securities dealer registration, regulatory structure, professional qualifications, securities processing and clearance, underwriting, industry practices, and fair-practice rules related to trading and sales. Attendees in this

five-day course are senior assistant examiners, newly commissioned examiners, and individuals who examine or are expected to examine bank securities dealer departments. Five sessions are planned for 1988.

Large-Dollar, Wire-Transfer Risk Conference

This conference was developed during 1984, and two sessions are scheduled for 1988. Attendees will learn how to examine a financial institution's large-dollar, wire-transfer system, using the *FFIEC Funds Transfer Activities Uniform Examination Procedures Manual*. They will learn the risks involved in such transfers and will be able to recommend procedures to minimize these risks. Attendees will be 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 conference.

Income-Property Lending Conference

This conference presents analytical techniques to equip examiners to challenge the assumptions built into market studies, feasibility studies, and appraisals. Nearly a full day is devoted to analyzing appraisals. Acquisition, development, and construction loans receive considerable attention, as well as managing construction disbursements. While topics will vary from time to time, additional topics include real estate syndication, equity participations and R41C. This conference is open only to commissioned examiners who have considerable involvement with income-property and commercial-real-estate lending. The conference lasts four days.

Off-Balance-Sheet Risk Conference

The purpose of this conference is to improve examiners' understanding of the incentives for and implications of off-balance-sheet activities. Emphasis will be on risk-assessment theory as applied to standby letters of credit, loan commitments, financial futures and options, and interest-rate swaps. This three-day conference is aimed at senior

field examiners with at least 10 years' experience.

White Collar Crime

This course, formerly the OCC Fraud Seminar, became an interagency project as a result of the agencies' increased emphasis on fraud and insider abuse. Open to any examiner with five years' experience, this one-week course instructs attendees in detection, investigation, and reporting techniques. Topics include the Bank Secrecy Act, real estate fraud, computer fraud, investment securities fraud, right to financial privacy and documentation of evidence. Considerable emphasis is being placed on this course by the chairmen of the member agencies, and over 400 examiners are expected to be trained in 1988.

Tuition and Fees

For 1988, course tuition is currently under discussion and conference fees will range from \$30 to \$125. This fee structure is designed to encourage member agencies and the states to utilize the school fully.

A course description booklet and schedule are available from the Council training office:

FFIEC Training Center
10th Floor
1701 N. Ft. Myer Drive
Arlington, Virginia 22209

Task Force on Reports

Section 1006(c) of Public Law 95-630 requires the Council to develop uniform reporting systems for federally supervised financial institutions and their holding companies and subsidiaries. To meet this objective, the Council established the Task Force on Reports, which has also been given other responsibilities related to the development of interagency uniformity in the reporting of periodic information needed for effective supervision. The task force is thus concerned with such issues as development and inter-

pretation of reporting instructions; application of accounting standards to specific transactions; publication and distribution of reports; development and application of processing standards; monitoring of data quality; assessment of reporting burden; and liaison with other organizations, including the Securities and Exchange Commission, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants. The task force is also responsible for any special projects related to these subjects that the Council may assign.

During 1987, the task force implemented a number of revisions to the commercial bank Reports of Condition and Income (Call Reports). The task force also received the Council's approval for changes that will become effective in 1988 in the interest-rate-sensitivity data collected in the commercial bank Call Reports, for the establishment of a system to receive electronically transmitted Call Report data, and for the solicitation of comments on a proposal concerning the Call Report submission period. In addition, the task force completed a review of the processing and publication of data from the Annual Report of Trust Assets.

Following the receipt by the three federal banking agencies of approval from the Office of Management and Budget (OMB) in February 1987, the task force completed the implementation, as of March 31, 1987, of a series of commercial bank Call Report changes prompted by certain provisions of the Tax Reform Act of 1986 and by the completion of deposit interest rate deregulation in 1986. One group of changes related to the reporting of bank holdings of tax-exempt obligations of states and political subdivisions in the United States, the interest income derived from such instruments, and the interest expense incurred in carrying them. Other changes related to the reporting of deposit interest expense and quarterly averages for deposits. Also effective as of March 31, 1987, the task force modified the loan categories for which larger banks report past-due, nonaccrual, and restruc-

tured loans and leases to achieve greater consistency in certain loan-related Call Report schedules and between the Call Reports and the bank holding company reports filed with the Federal Reserve System. Collection of the final element of this series of changes, a new Call Report item on loan purchases by banks, did not begin until June 30, 1987, in order to provide banks with additional lead time for the gathering of such data.

In response to a previous Council directive that the Task Force examine the existing Call Report and how it might be altered to provide the agencies with improved supervisory data while reducing the reporting burden imposed on banks, the task force continued to focus its attention on Schedule RC-J, "Repricing Opportunities for Selected Balance Sheet Categories." After consulting with the Task Force on Surveillance Systems, the Task Force on Reports presented its recommendations at the Council's April 21, 1987, meeting on how to reduce significantly the Schedule RC-J reporting burden while continuing to gather the minimum rate-sensitivity data required for the banking agencies' surveillance activities. The Council approved the task force's proposal that commercial bank Schedule RC-J be dropped and that the banking agencies collect in its place less-detailed information on fixed- and floating-rate instruments in new memoranda items in the separate Call Report schedules for securities, loans and leases, and deposits. In addition, the proposal called for the Call Report balance sheet to distinguish between one-business-day federal-funds transactions and longer-term securities-repurchase transactions. The Council also agreed to add a new item to the Call Report loan schedule for the amount of loans outstanding under home-equity lines of credit. Following Council approval, the banking agencies reviewed these changes with several banking industry groups to schedule implementation. March 31, 1988 is the effective date for these reporting changes, except for the new home-equity data, which began to be collected one quarter earlier.

Title VIII of the Competitive Equality Banking Act of 1987 established an agricultural loan loss amortization program for small agricultural banks and required the three federal banking agencies to adopt implementing regulations by November 9, 1987. In order for banks accepted into the program to reflect their deferred losses on their balance sheets and the banking agencies to monitor the loss-deferral activity by participating banks, the task force devised, and received OMB approval for, new items in the asset and equity sections of the Call Report balance sheet and a memorandum item reconciling the loss-deferral account balance. These new items were added to the small-bank Call Report as of December 31, 1987.

The task force continued its efforts to introduce a system which would allow commercial and savings banks, at their option, to telecommunicate their quarterly Call Report data to the banking agencies in lieu of submitting these data in the traditional hard-copy form. As authorized by the Council in October 1986, a Request for Proposal was issued on December 3, 1986, soliciting offers from interested parties by January 26, 1987, for the development and operation of an electronic transmission system. The Council received five proposals, which staff members from the three banking agencies evaluated over the next several months. On the basis of the staff evaluations, the Council in June 1987 approved the task force's recommendation that CompuServe, Inc., be selected to serve as the banking agencies' collection agent for the electronic transmission system with CompuServe providing the communication network, administrative procedures, and coordination necessary to support the system. Alternatively, banks would be permitted to submit their Call Report data to CompuServe either on diskettes or on tapes. CompuServe planned to receive commercial and savings bank Call Reports on a limited test basis as of the year-end 1987 report date with the system scheduled to become fully operational for the reports to be prepared as of March 31, 1988.

As an outgrowth of the increasing volume of computer-generated Call Report forms received by the banking agencies and the development of an electronic submission system for commercial and savings bank Call Reports, the Council authorized the task force at its August 4, 1987, meeting to study the practicability of shortening the submission period and other alternatives for achieving more timely availability of Call Report data. The task force prepared a discussion paper on the Call Report submission process, which served as the basis for consultation with several banking industry groups on this subject. As a result of the views expressed by these groups, the task force concluded that a change in the Call Report submission period (generally 30 days but, for some banks, 45 days) would not be appropriate at present. The task force did recommend and on December 17, 1987, received Council approval for the solicitation of public comment on two submission-related proposals: defining the term "submission date" to be the date by which the banking agencies must receive a bank's completed Call Report, subject to "safe harbor" rules to allow for possible delays in mail delivery, and requiring certain banks with foreign offices to submit their reports electronically. In 1988, the task force will issue the Council's request for comments on these two proposals, evaluate the comments that are received, and submit final recommendations to the Council.

In response to concerns expressed during 1986 about the need for more timely completion of the processing and publication of the data collected in the Annual Report of Trust Assets (form FFIEC 001), the Council requested at its October 2, 1986, meeting that the task force explore various options for collecting, editing, and publishing these trust data and the costs associated with the various options. The task force considered possible alternatives during the first half of 1987 and, on the basis of agency cost comparisons and the significant upgrading of the Federal Deposit Insurance Corporation's trust-processing

and production systems during the preceding year, recommended that the FDIC continue to perform this function for the Council. The Council accepted this recommendation at its August 4, 1987, meeting. At the same time, the Council also approved cost-sharing arrangements proposed by the task force under which the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Home Loan Bank Board would reimburse the FDIC for their share of the cost of the FDIC's ongoing trust-processing and publication work and certain enhancements to the FDIC's data system.

Task Force on Supervision

The jurisdiction of the Task Force on Supervision includes all matters relating to the supervision and examination of depository institutions. The goal of the task force is to improve the quality and efficacy of all aspects of supervision. On items of major importance, the task force makes recommendations to the Council for action. The Council has delegated authority to the task force to make other decisions, provided all members of the Task Force are in agreement.

Task force members are the senior supervisory officials of the constituent agencies. Meetings are held periodically to address and resolve supervisory issues. The task force has standing subcommittees on electronic data processing examinations and on issues relating to bank securities activities. Ad hoc working groups are created to handle particular projects and assignments.

Activities of the Task Force

During 1987, the task force was involved in a number of projects. A working group was established to develop a regulation to implement the provisions of title VIII of the Competitive Equality Banking Act of 1987, which allows certain agricultural banks to defer losses on selected agricultural loans. The regulation was adopted by the three banking agencies and was implemented on November 9, 1987,

thus meeting the tight time constraints of the statute.

A working group was established to review the interagency Shared National Credits (SNC) program. In this program, groups of examiners from the three banking agencies jointly evaluate major credits that are shared by two or more institutions. The task force approved the recommendations of the working group, and they are being implemented prior to the 1988 SNC reviews.

A working group was also established to review the definitions of the CAMEL components. These definitions had not been subject to an interagency review since they were put in place in 1979. The working group has provided certain recommendations to the task force, which will evaluate them.

A task force group developed an issues paper, dealing with the risks associated with financial institutions' extensive use of microcomputers, which makes centralized controls more difficult to maintain. A circular on this topic has been drafted and will be circulated to all examiners and institutions.

A uniform policy statement on the agencies' requirements for fingerprints from those submitting applications for structural changes in the system of depository institutions was drafted and has been adopted by the constituent agencies.

At the direction of the Council, in 1988 the task force will reexamine the procedures and the format for the exchange of information about individual banking organizations among the banking agencies.

Task Force on Surveillance Systems

The Task Force on Surveillance Systems deliberates, at an interagency level, on matters concerning surveillance and monitoring systems. Its main functions are to formulate goals, set objectives, and establish priorities for relevant tasks. Those tasks relate to de

veloping, updating, and evaluating effective computer-based systems and other surveillance procedures. Historically, the primary objective has been to develop uniform early-warning systems to monitor the performance of financial institutions and to identify potential or emerging financial problems in those institutions. This task force is also responsible for the implementation and oversight of Council-approved surveillance systems and procedures.

Activities of the Task Force

In 1987, the task force completed an analysis of the context and format of the Uniform Bank Performance Report (UBPR). To make the UBPR a more useful and efficient document, the banking agencies agreed to reduce the number of items presented, ratios calculated, and peer groups compared in the report. The revised format will be implemented in March 1988 and will result in a 40 percent reduction in the number of items included in the UBPR. An amended User's Guide will also be issued to reflect the revisions.

In accordance with the formal agreement among the banking agencies for the production of the UBPR, the task

force prepared and presented to the Council the UBPR Annual Plan for 1988. The plan covers planned work for 1988 and estimated income and expenses related to the production and distribution of the UBPR.

The task force also presented to the Council a request to provide UBPR data tapes to the public. The Council agreed that a standardized UBPR data set would be prepared on magnetic tapes for public use as part of the normal UBPR quarterly production processing. This service is scheduled to begin concurrently with the revisions to the UBPR in the first quarter of 1988.

At the request of the Reports Task Force, this task force also reviewed and recommended a redesign of Schedule J of the Call Report, "Repricing Opportunities for Selected Balance Sheet Categories." The revisions will reduce reporting burden and improve information gathering.

In 1988, the task force will review the Uniform Bank Screening System, which is the present interagency computer-based surveillance and monitoring system. The purpose of the review is to determine if the System still meets the needs for which it was established and to what extent the agencies rely

upon the System in their overall surveillance efforts.

The task force will continue to ensure the timely production and distribution of UBPRs and related data. The following distribution policy continues:

- Each insured commercial bank receives one copy of the current UBPR per quarter.
- UBPR data are provided to each federal banking agency quarterly.
- Two copies of the UBPRs are made available to state bank supervisors for banks in their state.
- UBPRs and Call Report data are available to the public for a fee.

Copies of UBPRs may be obtained for \$30 per report. A User's Guide, which describes the content of the reports, is available for \$15. A Peer Group Report, showing average ratios for all 25 peer groups, is available for \$50. The State Average Report is available for \$30. Information on ordering 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



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 32,000 domestically chartered banks and thrift institutions, which, on June 30, 1987, held total assets of almost \$5 trillion. The Federal Reserve Board and the Federal Home Loan Bank 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 authorizes the Office of the Comptroller of the Currency (OCC) 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 Act 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 Board of Governors of the Federal Reserve System.

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 changes 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 assessments, which are used to meet the FRB'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 appointed 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 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. Non-member 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 nine regions, each of which is headed by a regional director. It 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 by the FHLBB and the chartering state. In addition, title XII of Public Law 95-630 provided for a new, limited 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 savings and loan associations 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 Federal Home Loan Banks. Supervisory agents, the enforcement personnel of the agency, are employed by the district Federal Home Loan Banks. Personnel in the Office of Regulatory Policy, Oversight, and Supervision (ORPOS), which was formerly the Office of Examinations and Supervision, are also part of the Federal Home Loan Bank System.

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 federally chartered savings and loan associations, 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, which was established in 1934 by an Act of Congress. The purpose of the NCUA is to charter, examine, supervise, and insure the nation's nearly 10,000 federal credit unions. In addition, NCUA also provides insurance for member accounts at about 5,000 state-chartered credit unions. Title XVIII of Public Law 95-630 created, within the agency, the National Credit Union Central Liquidity Facility (CLF) to improve the general financial stability of member credit unions by helping them meet their liquidity and stabilization needs. Membership in the CLF is voluntary and is open to all federal and state credit unions. Through direct and agent membership, approximately 96 percent of all credit unions are members of the CLF.

The NCUA is headed by a three-member bipartisan board appointed by the President, with the advice and consent of the Senate. The President designates one of the Board members as Chairman and each serves a six-year term.

Major responsibilities of the NCUA are—

- chartering, supervising, and examining federal credit unions;
- administering the National Credit Union Share Insurance Fund (NCUSIF); and
- managing the Central Liquidity Facility.

The NCUA also has statutory authority to examine and supervise NCUSIF-insured, state-chartered credit unions, which it does in coordination with state agencies.

Congress does not fund NCUA. The agency is financed by the credit unions it regulates and insures.

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 about 4,700 national banks, with about \$1.73 trillion 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 applications for new bank charters, the establishment of branches, and mergers of national banks.

The national interest requires that there be a safe and stable financial

system that preserves public confidence and makes available a wide variety of financial services in a competitive marketplace. The Office of the Comptroller of the Currency serves this interest by maintaining and promoting a system of bank supervision and regulation that—

- promotes safety and soundness by requiring that national banks adhere

to sound management principles and comply with the law and

- encourages banks to satisfy customer and community needs while remaining efficient competitors in the financial services markets.

The principal supervisory tools of the OCC are on-site supervisory activities and detailed off-site analysis of national bank operations. As appropri-

ate, 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 as of June 30, 1987
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	State Non-Member			Savings and Loan Associations		Savings Banks	Federal Charter	State Charter
							Federal Charter	State Charter			
Total Assets	4,902	1,717	526	667	432	198	524	414	264	104	56
Total loans and lease receivables (net)	3,083	1,066	299	382	206	128	404	302	206	58	32
Loans secured by real estate ⁴	1,539	332	61	162	10	105	378	283	186	14	8
Consumer loans ⁵	463	205	43	83	†	11	23	15	16	43	24
Commercial and industrial loans	718	365	117	104	99	9	8	9	6	1	*
All other loans and lease receivables ⁶	424	196	88	40	98	2	*	*	*	‡	‡
LESS: Allowance for possible loan and lease losses	62	31	11	6	3	1	5	4	1	*	*
Federal funds sold and securities purchased under agreements to resell	152	77	25	33	12	5	†	†	†	‡	‡
Cash and due from depository institutions ⁷	472	208	72	64	106	5	6	5	3	2	1
Securities and other obligations ⁸	764	239	69	159	33	51	68	56	30	39	20
U.S. Gov't obligations ⁹	402	155	39	103	10	29	22	19	9	10	6
Obligations of state and local gov'ts ¹⁰	130	68	22	38	†	2	†	†	†	‡	‡
Other securities	232	16	8	18	23	20	46	37	21	29	14
Other assets ¹¹	432	127	61	29	75	9	46	52	25	5	3
Total Liabilities	4,647	1,619	499	616	432	181	502	399	249	98	52
Total deposits and shares ¹²	3,675	1,312	381	569	208	159	401	307	190	96	52
Federal funds purchased and securities sold under agreements to repurchase	359	158	46	24	45	7	26	36	17	*	*
Other borrowings ¹³	382	82	42	13	85	12	64	47	36	1	*
Other liabilities ¹⁴	229	67	30	10	94	2	11	8	6	1	*
Net Worth¹⁵	254	97	27	51	‡	16	23	15	15	6	4
Memorandum: Number of institutions reporting	32,625	4,743	1,098	8,052	510	455	1,323	1,403	465	9,566	5,010

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 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 the 12 months ending June 30, 1987
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	State Non-Member			Savings and Loan Associations		Savings Banks	Federal Charter	State Charter
							Federal Charter	State Charter			
Operating Income	419	164	47	61	18	52	40	22	10	5	
Interest and fees on loans	287	105	27	39	12	43	31	19	7	4	
Other interest and dividend income	80	35	13	12	5	5	4	2	3	1	
All other operating income	51	24	7	10	1	4	4	1	*	*	
Operating Expenses	409	162	48	56	15	51	43	21	8	5	
Salaries and benefits	58	26	8	10	2	4	4	2	1	1	
Interest on deposits and shares	192	64	18	28	10	29	23	12	5	3	
Interest on other borrowed money	43	18	6	2	1	7	6	3	*	*	
Provision for loan and lease losses	47	24	8	5	*	4	5	1	*	*	
All other operating expenses	70	30	8	11	2	7	6	3	2	1	
Net Operating Income	9	2	(1)	5	3	*	(3)	1	2	*	
Securities Gains and Losses	1	*	*	*	*	*	1	*	*	*	
Income Taxes	8	2	*	1	1	2	1	1	‡	‡	
Net Income	4	*	(1)	4	2	(1)	(3)	1	2	*	
Memorandum: Number of institutions reporting	32,375	4,872	1,096	8,185	455	1,323	1,403	465	9,566	5,010	

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 and U.S. branches and agencies of foreign banks 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, and share draft accounts. 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 95-360

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, memoranda, 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. 1987 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 fund balance and of changes in financial position present fairly the financial position of the FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL at December 31, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in con-

formity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and in 1987 standards for financial and compliance audits contained in the *Standards for Audits of Governmental Organizations, Programs, Activities, and Functions* issued by the General Accounting Office, 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 26, 1988

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
 Balance Sheets as of December 31, 1987 and 1986

ASSETS		<u>1987</u>	<u>1986</u>
CURRENT ASSETS			
Cash, held by Board of Governors of the Federal Reserve System		\$ 48,592	\$198,198
Accounts receivable from member organizations		287,903	268,300
Other accounts receivable		<u>14,869</u>	<u>12,787</u>
Total current assets		<u>351,364</u>	<u>479,285</u>
FURNITURE AND EQUIPMENT			
Furniture and equipment, at cost		108,415	92,311
Less accumulated depreciation		<u>55,888</u>	<u>50,246</u>
Total furniture and equipment		<u>52,527</u>	<u>42,065</u>
LEASEHOLD IMPROVEMENTS, net of amortization		<u>7,128</u>	<u>10,692</u>
Total assets		<u>\$411,019</u>	<u>\$532,042</u>
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accounts payable to member organizations		\$258,406	\$425,322
Other accounts payable and accrued liabilities		45,418	16,011
Accrued annual leave		<u>26,018</u>	<u>26,817</u>
Total current liabilities		<u>329,842</u>	<u>468,150</u>
FUND BALANCE			
Total liabilities and fund balance		<u>\$411,019</u>	<u>\$532,042</u>

The accompanying notes are an integral part of these statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Statements of Revenues and Expenses and Fund Balance for the Years Ended December 31, 1987 and 1986

	<u>1987</u>	<u>1986</u>
REVENUES		
Lodging facility rental	\$1,154,199	\$1,121,605
Assessments to member organizations	810,200	685,000
Tuition	306,631	160,288
Uniform Bank Performance Report reimbursement	112,946	73,630
Total revenues	<u>2,383,976</u>	<u>2,040,523</u>
EXPENSES		
Lodging facility rental	1,091,302	1,071,258
Salaries and related benefits	624,227	447,498
Rental of office space	189,457	141,062
Data processing	83,342	97,406
Printing	74,376	45,369
Books and subscriptions	70,108	43,908
Travel	41,385	22,399
Office and other supplies	38,283	20,401
Professional fees	39,487	17,241
Administrative fees	31,743	30,000
Depreciation and amortization	17,505	17,027
Postage	17,458	14,977
Rental and maintenance of office equipment	14,090	6,669
Telephone	9,257	8,415
Miscellaneous	24,671	16,063
Total expenses	<u>2,366,691</u>	<u>1,999,693</u>
REVENUES OVER EXPENSES	17,285	40,830
FUND BALANCE, Beginning of year	63,892	23,062
FUND BALANCE, End of year	<u>\$ 81,177</u>	<u>\$ 63,892</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, 1987 and 1986

	<u>1987</u>	<u>1986</u>
SOURCES OF CASH		
Revenues over expenses	\$ 17,285	\$ 40,830
Add (deduct) items not affecting cash		
Depreciation and amortization	17,505	17,027
Accrued annual leave	(799)	(1,501)
(Increase) in accounts receivable	(21,685)	(20,690)
(Decrease) in accounts payable	(137,509)	(17,608)
Proceeds on disposal	201	—
Total sources	<u>(125,002)</u>	<u>18,058</u>
USES OF CASH		
Purchase of furniture and equipment	<u>24,604</u>	<u>12,490</u>
Total uses	<u>24,604</u>	<u>12,490</u>
(DECREASE) INCREASE IN CASH	(149,606)	5,568
CASH BALANCE, Beginning of year	<u>198,198</u>	<u>192,630</u>
CASH BALANCE, End of year	<u>\$ 48,592</u>	<u>\$198,198</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements as of December 31, 1987 and 1986

(1) Significant Accounting Policies

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

Furniture and Equipment—Furniture and equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 10 years.

Leasehold Improvements—Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the related lease or the estimated useful life of the improvements.

(2) Transactions with Member Organizations

The five member organizations are each assessed one-fifth of the expected cash needs based on the annual operating budget. Each member organization was assessed \$162,000 in 1987 and \$137,000 in 1986.

The Board of Governors of the Federal Reserve System provided administrative support services to the Council at a cost to the Council of \$31,700 for 1987 and \$30,000 for 1986.

Member organizations provide office space, data processing and printing services to the Council. The Council paid member organizations \$328,000 in 1987 and \$267,000 in 1986 for these items.

The Council coordinates the production and distribution of the Uniform Bank Performance Reports (UBPR) through the Federal Deposit Insurance Corporation (FDIC). The Council is reimbursed for the direct cost of operating expenses it incurs for this project. In prior years, the reimbursements were offset by related costs incurred by the Council and not separately presented as in these financial statements.

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 mem-

bers 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.

The Council subleases office space from the National Credit Union Administration under an operating lease which expires January 30, 1990. The lease contains a renewal option for 58 months. Future minimum lease payments under this lease are \$43,700 per year in 1988 and 1989 and \$3,640 in 1990.

The Council subleases office space from the Federal Deposit Insurance Corporation under an operating lease which expires June 30, 1990. Future minimum lease payments under this lease are \$196,600 per year in 1988 and 1989 and \$98,300 in 1990.

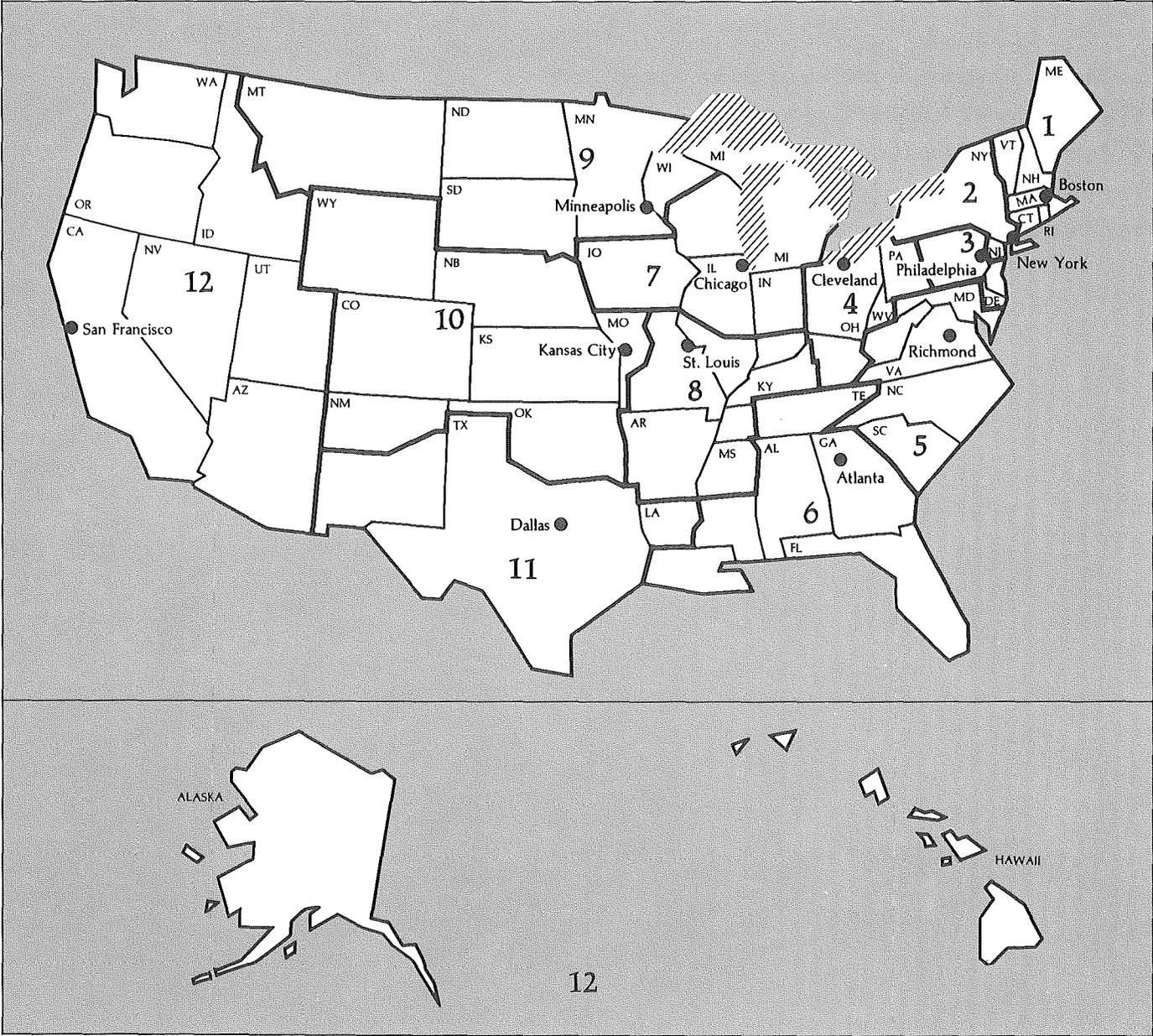
(3) Commitments

In addition to the commitments described in the preceding paragraphs the Council leases efficiency units for participant lodging and is reimbursed by the member organizations in proportion to their usage of the facility. The lease agreement may be renewed semi-annually through December 1988.

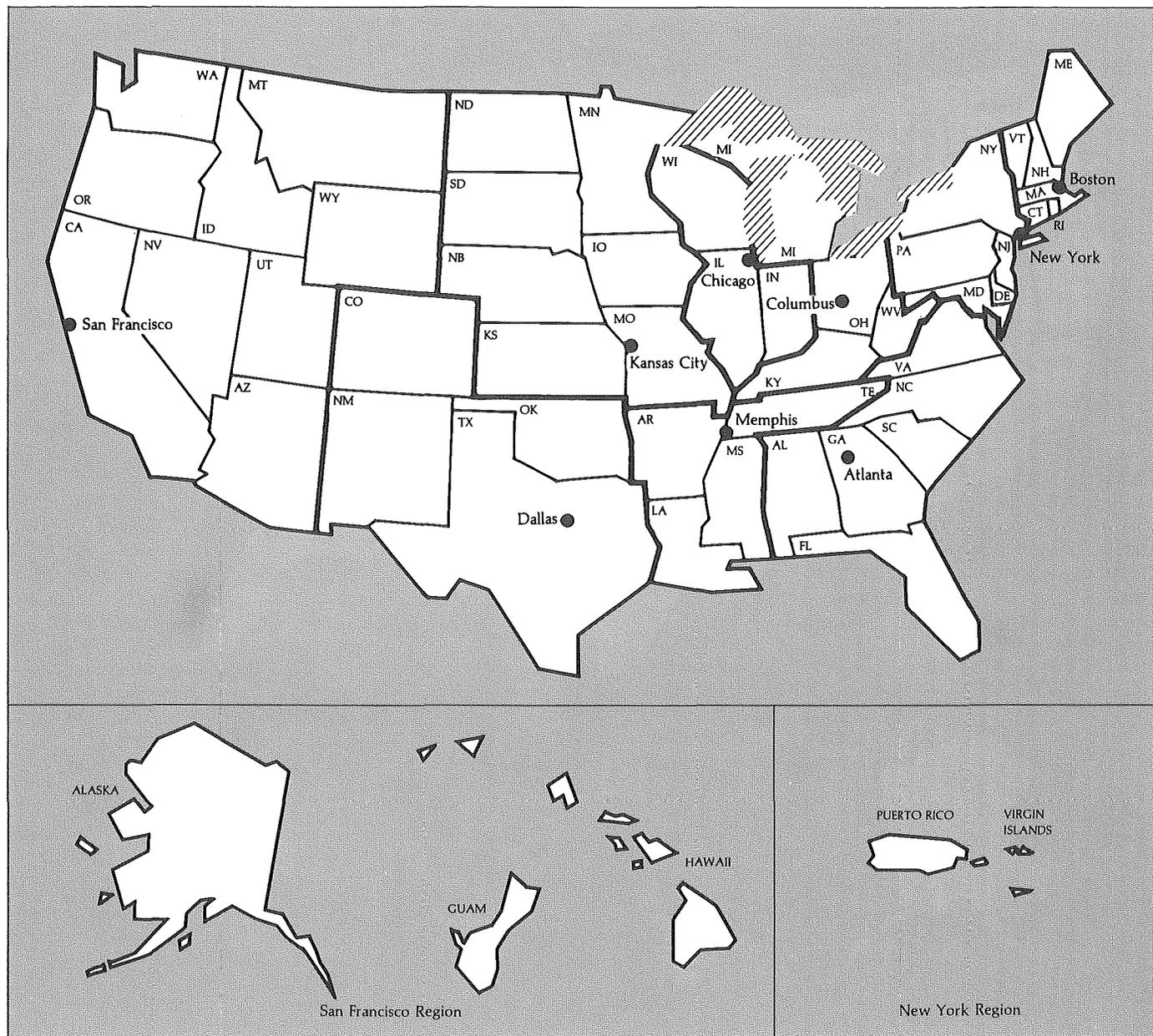
C. Maps of Agency Regions and Districts

- 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

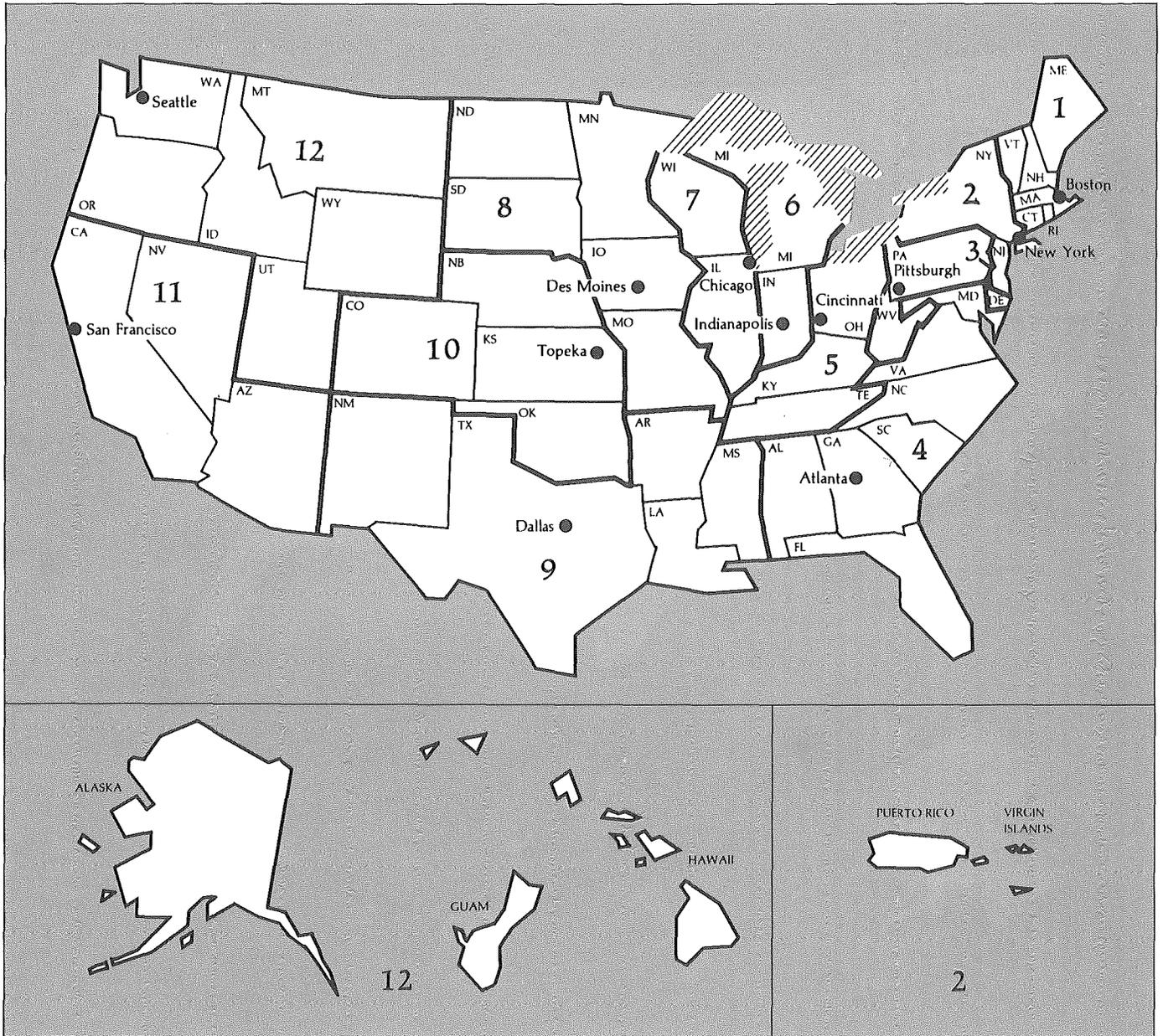
The Federal Reserve System Districts



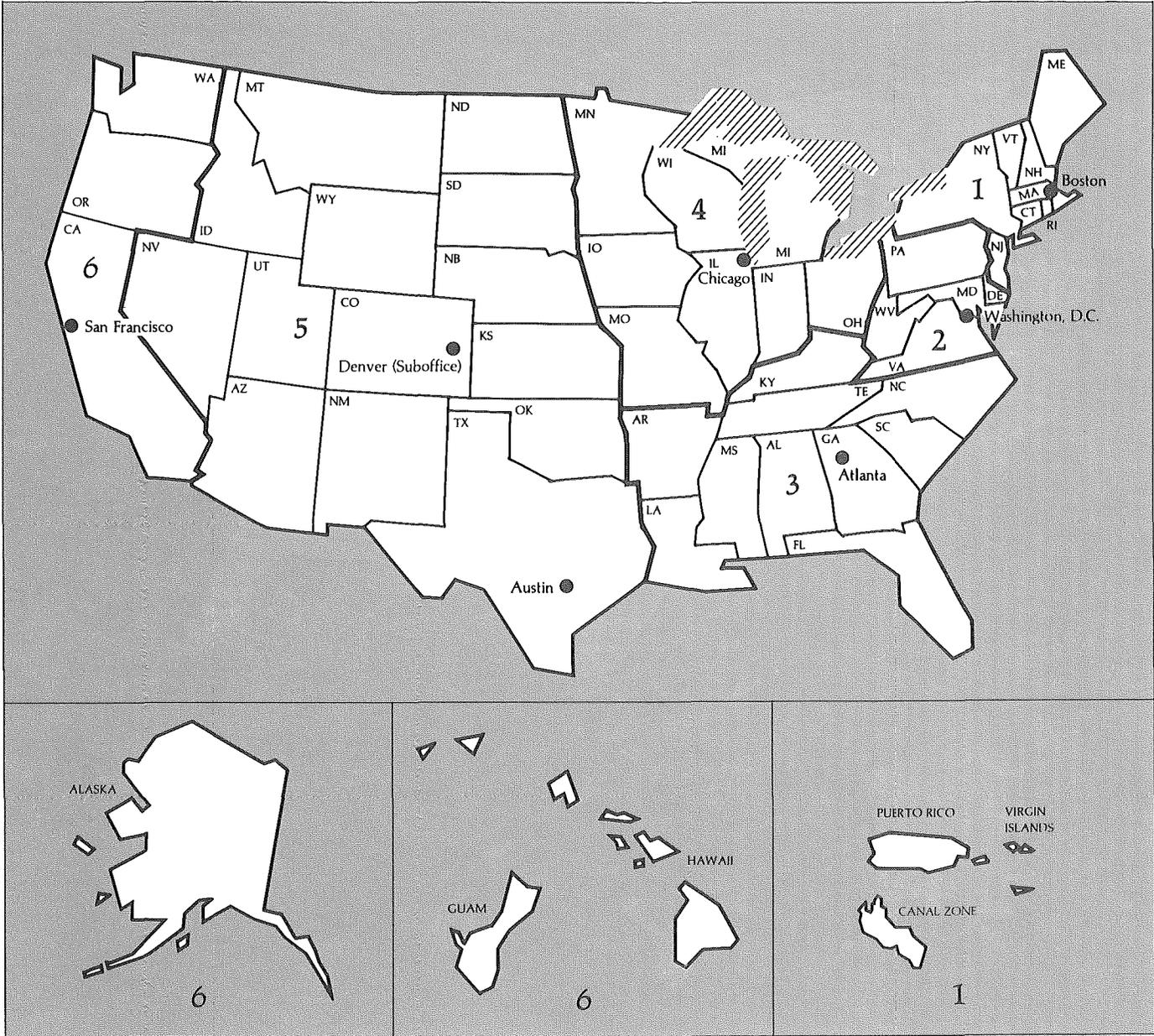
Federal Deposit Insurance Corporation Regions



Federal Home Loan Bank Districts



National Credit Union Administration Regions



Comptroller of the Currency District Organization

