Roberta L. Clarke, Chairman
Comptroller of the Currency
Office of the Comptroller of the Currency

Roger W. Jepsen
Chairman
National Credit Union Administration

John P. LaWare, Vice Chairman
Member
Board of Governors of the Federal Reserve System

L. William Seidman
Chairman
Federal Deposit Insurance Corporation

M. Danny Wall
Director
Office of Thrift Supervision
LETTER OF TRANSMITTAL

Federal Financial Institutions Examination Council
Washington, DC
March 30, 1990

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


Sincerely,

Robert L. Clarke
Chairman
<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>vii</td>
<td>Message from the Chairman</td>
</tr>
<tr>
<td>1</td>
<td>The FFIEC—An Introductory Statement</td>
</tr>
<tr>
<td>3</td>
<td>Record of Actions of the Council</td>
</tr>
<tr>
<td>7</td>
<td>State Liaison Committee Report</td>
</tr>
<tr>
<td>9</td>
<td>Administration of the Council</td>
</tr>
<tr>
<td>11</td>
<td>Activities of the Interagency Staff Groups</td>
</tr>
<tr>
<td>21</td>
<td>The Federal Financial Institutions Regulatory Agencies and Their Supervised Institutions</td>
</tr>
<tr>
<td>24</td>
<td>Assets, Liabilities, and Net Worth of U.S. Commercial Banks and Thrift Institutions for June 30, 1989</td>
</tr>
<tr>
<td>27</td>
<td>Appendix A: Relevant Statutes</td>
</tr>
<tr>
<td>31</td>
<td>Appendix B: 1989 Audit Report</td>
</tr>
<tr>
<td>35</td>
<td>Appendix C: Maps of Agency Regions and Districts</td>
</tr>
</tbody>
</table>
MESSAGE FROM THE CHAIRMAN

The Federal Financial Institutions Examination Council reached its tenth anniversary in March, 1989. As it moved into its second decade, the Council dealt with a number of issues on which it was important to arrive at uniform interagency positions.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) expanded the data collection requirements of the Home Mortgage Disclosure Act (HMDA) and the number of covered reporting institutions. The Council approved plans for a redesign of the data processing system for HMDA data. The new system should be in place before the end of 1990.

FIRREA also revised the Community Reinvestment Act (CRA). In December, the Council approved for public comment the procedures which would govern FIRREA-mandated public disclosure of CRA ratings beginning in July 1990.

Finally, FIRREA created an Appraisal Subcommittee which is to operate under the auspices of the Council. The Subcommittee will monitor state requirements for the certification of real estate appraisers and will maintain a national registry of certified appraisers.

The rapidly changing structure of the financial services industry has seen the emergence of more multiclass, multistate depository organizations. This development necessitates even more supervisory coordination among federal and state regulators. The Council, in conjunction with the State Liaison Committee, has taken important steps in planning and enhancing this coordination.

Under the leadership of Roger W. Jepsen, who served as Council Chairman until March 31, 1989, a new formula was developed for the allocation of costs among the agencies. This formula goes into effect in 1990, at a time when total enrollment in Council courses is expanding rapidly.

During 1989, the Council approved the collection of additional data from insured banks to allow the agencies to monitor the implementation of risk-based capital standards. These new data will be collected for the first time in the March 31, 1990 Call Report.

The Council also directed the Task Force on Surveillance Systems and the Task Force on Reports to begin to integrate surveillance and reporting systems for thrifts and commercial banks. This effort may culminate in more comparable reports and simplified report processing.

A new reporting system for Council task forces has been put in place. The result ensures that staff resources are devoted only to those projects to which the Council has assigned priority.

1989 proved to be a productive year for the Council. Many of the projects that were developed in 1989 will be implemented during the coming year. The Council will continue to work for uniformity among the agencies on regulatory issues as they arise. We begin 1990 with a full agenda and will continue to carry out the activities mandated by FIRREA.
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, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision, and to make recommendations to promote uniformity in the supervision of financial institutions. Under FIRA the Council develops uniform reporting systems for federally supervised financial institutions, their holding companies, and the non-financial institution subsidiaries of those institutions and holding companies. It also conducts schools for examiners employed by the five agencies represented on the Council and makes those schools available to employees of state financial-institution supervisory agencies. It is the overall intent of the legislation that the Council promote consistency in federal examinations and progressive and vigilant supervision.

Under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), the Council is responsible for developing and administering training seminars in risk management for the employees of the agencies represented on the Council and the employees of insured financial institutions.

The Council was given additional statutory responsibilities under the Housing and Community Development Act of 1980 (section 340 of Public Law 96-399, October 8, 1980). Among these responsibilities 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.

In 1989, Title XI of FIRREA established the Appraisal Subcommittee within the Examination Council. The functions of the subcommittee are to (1) monitor the requirements established by states for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; (2) monitor the appraisal standards established by the federal financial institutions regulatory agencies and the Resolution Trust Corporation; (3) maintain a national registry of state-certified and state-licensed appraisers who are eligible to perform appraisals in federally related transactions; and (4) monitor the practices, procedures, activities, and organizational structure of the Appraisal Foundation, a nonprofit educational corporation established by the appraisal industry in the United States.

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 National Credit Union Administration Board and the Director of the Office of Thrift Supervision. 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.
Following is a chronological record of the official actions taken by the Federal Financial Institutions Examination Council during 1989 pursuant to sections 1006, 1007, and 1009A of Public Law 95–630; section 340 of Public Law 96–399 (Housing and Community Development Act of 1980); and section 1104(a) of Public Law 101–73 (Financial Institutions Reform, Recovery and Enforcement Act of 1989).

January 5
Explanation. The manual is designed to assist financial institutions in completing the HMDA report forms that they must file annually. The manual contains an executive summary describing management’s HMDA responsibilities and detailed instructions for employees who must complete the HMDA report forms.

The HMDA manual was formerly a Federal Reserve Board publication. However, because all five agencies represented on the Council are significantly involved with HMDA enforcement, it seemed appropriate to have the Examination Council issue this new manual.

February 21
Action. Unanimously approved the 1988 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.

March 8
Action. Unanimously approved the appointment of Sidney A. Bailey, Commissioner of Financial Institutions, Virginia, 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. Mr. Bailey was appointed to fill the unexpired term of Mary C. Short, whose term as Arizona Superintendent of Banks had expired. The Council also appointed Mr. Bailey to a full term on the State Liaison Committee for the period May 1, 1989, to April 30, 1991.

March 13
Action. Unanimously approved issuing a statement on the Home Mortgage Disclosure Act (HMDA) designed to encourage covered institutions to adhere to the specific requirements of the Act and Federal Reserve Regulation C.

Explanation. The Congressional Conference Committee on the Housing
and Community Development Act of 1987 asked that the Council submit a report on the steps it was taking to help ensure earlier public availability of the HMDA data-aggregation reports.

The Council sent its report to the House and Senate Banking Committees on May 12, 1988. In the report the Council said that one of the steps to be taken would be "to develop a joint advisory statement to covered institutions stressing the need for better internal controls and for accurate and timely reporting."

The Council's statement expressed concern about the number of errors in financial institutions' HMDA reports and the number of reports filed after the March 31 due date. The statement encouraged covered institutions to develop policies and procedures that will help ensure full compliance with HMDA and Regulation C. The statement noted that the agencies would be taking appropriate supervisory actions to ensure compliance with HMDA and would be providing educational materials to help institutions provide timely and accurate reports.

March 30

Action. Unanimously approved an arrangement for funding the Council's examiner-training program whereby the costs of the program to the five agencies represented on the Council would be based on the numbers of their attendees at Council training sessions.

Explanation. The Council's training program had been funded by tuition payments from students attending Council courses and by equal assessments on the five agencies represented on the Council. Because the tuition payments covered only about one-half of the total costs of the training program, assessments on the five agencies were necessary to pay the remaining program costs. Such assessments had to be divided equally among the five agencies under the provisions of the Federal Financial Institutions Examination Council Act of 1978.

The Council believed that funding a significant part of the training program by equal assessments on the agencies was inappropriate given the wide disparity of use of the training program by the five agencies. A small agency such as the National Credit Union Administration sent relatively few attendees to Council courses, yet had to pay one-fifth of the total required assessment. For this reason, the Council decided to move to an arrangement under which each agency would pay the costs of the training program in proportion to its use of the program. Each agency will estimate its demand for Council training at the beginning of the year. Each agency's estimated proportional use of Council training will then be calculated, and each agency will pay, in advance, a proportional share of the total cost of the training program. At the end of the year, the actual enrollment figures will be used to make final adjustments to agency payments.

Action. Unanimously approved the appointment of Sandra K. Branson, Director, Credit Union Division, Missouri, to the State Liaison Committee for the period May 1, 1989, to April 30, 1991.

Explanation. As required by statute, the Council has established a liaison committee of five representatives of state agencies that supervise financial institutions. Ms. Branson was appointed by the Council to a full two-year term.

June 8

Action. Unanimously approved a revision to the Monthly Report on Foreign Exchange Transactions (FFIEC 035) to collect data on various financial products such as currency options, swaps, and futures. In approving the revisions, however, the Council decided to seek comments from affected reporting institutions.

Explanation. The proposed Call Report changes have two objectives: (1) to provide sufficient data to permit the banking agencies to monitor banks' risk-based capital levels and (2) to provide other data for bank-
supervision purposes, particularly data relating to the nature and extent of banks' off-balance-sheet activities. The proposed changes would be implemented through a new risk-based capital schedule (RC–RBC), a revised off-balance-sheet schedule (RC–L), and changes to existing items or the addition of new items in several other schedules. The proposed effective date for virtually all of the reporting changes is March 31, 1990.

October 27

Action. Unanimously approved the appointment of Kevin M. Blakely, Deputy Comptroller for Special Supervision, Office of the Comptroller of the Currency, as Chairman of the Appraisal Subcommittee.

Explanation. Title XI of FIRREA established the Appraisal Subcommittee within the Examination Council to monitor the state requirements for the real estate appraisal industry. Section 1104(a) of the Act states that "The Council shall select the Chairperson of the Subcommittee. The term of the Chairperson shall be 2 years."

November 15

Action. Approved by a 3–0–2 vote changes to the Call Report relating to risk-based capital and off-balance-sheet items.

Explanation. On August 21 the Council had issued for public comment proposed changes to the Call Report. The changes approved by the Council are substantially the same as those contained in the August 21 proposal. The changes include a new risk-based capital schedule (RC–R), a revised off-balance-sheet schedule (RC–L), and changes in five other schedules (RC, RC–B, RC–E, RC–M, and RC–O). The effective date for these reporting changes is March 31, 1990, except for the changes to Schedule RC–O, which take effect on June 30, 1990. In addition, the data collected in the new risk-based capital schedule during the first three quarters of 1990 will be accorded confidential treatment. Thereafter, these data will be available to the public.

December 14


Explanation. The memorandum of understanding is an agreement among the three federal banking agencies and the Council that sets forth the duties and responsibilities for producing and distributing the UBPR. The current agreement expires at the end of 1989, and the new agreement covers a three-year period beginning January 1, 1990. Under the agreement, the FDIC is responsible for production of the UBPR, distribution of UBPRs to state bank supervisory agencies, and sale of the UBPRs to the public. The Council provides general staff support to the UBPR effort, and the three federal bank supervisory agencies share equally the total costs and revenues generated by the UBPR activities.

Action. Unanimously approved the issuance for public comment of proposed revisions to the Community Reinvestment Act (CRA) rating system and proposed procedures for disclosure of written evaluations of institutions' CRA performance.

Explanation. Section 1212 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) (P.L. 101–73) amended the CRA. The new section 807 of the CRA, added by FIRREA, promotes enforcement by giving the public an opportunity to learn of an institution's CRA rating and making available the findings and conclusions that are used by the institution's federal regulatory agency in arriving at the overall CRA rating. The proposal issued for comment also discusses in detail the revised method of evaluating the existing CRA assessment factors in order to provide the written evaluations mandated by FIRREA.

Actions Taken by the Council's Task Forces under Delegated Authority

Task Force on Examiner Education

• May 19—Published a directory of examiner training programs
• June 15—Approved development of a new course, Advanced White-Collar Crime

Task Force on Reports

• March 1—Adopted the instructions relating to changes to the Call Report effective March 31, 1989
• August 3—Adopted push-down accounting instructions for the Call Report

Task Force on Supervision

• June 22—Approved a supervisory policy statement entitled "Inter-agency Policy on Contingency Planning for Financial Institutions"
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 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. An SLC member may have his or her two-year term extended by the appointing organization for an additional, consecutive two-year term. 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 (ACSSS), the Conference of State Bank Supervisors (CSBS), and the National Association of State Credit Union Supervisors (NASCUS). A list of the SLC members appears on page 10 of this report.

Participation in Examination Council Activities

The SLC continued to participate actively in Council deliberations in 1989 and made progress on projects that had previously been initiated by the SLC.

At the March 30 meeting, the SLC submitted a proposal for consideration by the Council to establish a process for scheduling examinations of multi-state banking organizations to include federal and state supervisory agencies. The purpose of the interstate scheduling was to reduce costs by avoiding redundant examinations and to ensure that examiners are assigned where most needed. The SLC felt that such an approach would also minimize the disruption of the examination process. The SLC estimated 30 to 35 states would participate in this joint approach.

The SLC provided the Chairwoman of the Task Force on Examiner Education with valuable advice on the development of an interagency training calendar. The calendar is to contain information on all educational offerings of the Council and the member agencies. The five member agencies and state agencies may use the calendar to determine course availability and the procedures to be followed for enrollment.

At the March 30 meeting, during a discussion of the funding of the Council's examiner-education program, the SLC obtained a commitment from the Council that state financial regulatory agencies would not be required to pay costs in excess of the actual per-student cost.
of such training. This allows the state agencies cost parity with the Council's member agencies for examiner education.

During the June 8 meeting, the SLC continued the discussion of interstate examinations that began in meetings conducted between state and federal regulators since the March 30 Council meeting. The states and federal representatives agreed on a number of key points: (1) commitment to efficient use of resources, (2) information sharing, (3) initial scheduling coordination, (4) scoping of the examination, (5) presentation of the examination results, and (6) protocol for enforcement actions, when necessary.

The SLC supported the Home Mortgage Disclosure Act (HMDA) data system modifications made necessary by legislative amendments, and urged that a review be conducted of data elements in the HMDA report to eliminate redundancies.

At the same meeting, the SLC encouraged the agencies to proceed with the interagency project to exchange agency studies. The states had indicated that a catalog of studies would be helpful in determining what is available and avoiding duplicate efforts.

During the November 17 meeting, the SLC discussed the Council’s recently appointed Appraisal Subcommittee and suggested that states help develop appraisal standards. The SLC Chairman suggested that a state representative work with the subcommittee.

The SLC expressed a desire to include an addendum to the Task Force on Examiner Education’s pending report to Congress on section 1218 of FIRREA, dealing with risk management. The addendum would highlight what the states are doing in this area, including educational offerings available from state regulatory organizations.

At the December 14 meeting, the SLC requested that the Council explore the possibility of expanding the Uniform Bank Performance Reports to include specific data gathered by states in addition to data obtained by federal agencies. The state data would be processed as part of the UBPR service.

Finally, during the same meeting, the SLC supported exploring the feasibility of developing a common-core Call Report for both banks and thrifts.
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. The Council also receives reimbursement for the services it provides in preparation of the quarterly Uniform Bank Performance Report, and education fees cover the costs of the Council's examiner-education program.

The Federal Reserve Board provides budget and accounting services to the Council, and the Federal Reserve Board's Controller serves as the Council's Controller. The Council is supported by a small full-time administrative staff in its operations office, and its examiner-education program is administered by Council staff located at its 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; and
- manage the Council's examiner-education program.

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 1989 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 1989 would have been impossible.
Organization, December 31, 1989

Members of the Council

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

John P. LaWare, Vice Chairman
Member
Board of Governors of the Federal Reserve System (FRB)

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

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

M. Danny Wall
Director
Office of Thrift Supervision (OTS)

State Liaison Committee

Eugene W. Kuthy, Chairman
Commissioner of Financial Institutions
Michigan

Sidney A. Bailey
Commissioner of Financial Institutions
Virginia

Sandra K. Branson
Director, Division of Credit Unions
Missouri

John R. Hale
Credit Union Commissioner
Texas

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)
Paul G. Fritts (FDIC)
Robert J. Herrmann (OCC)
Donald E. Johnson (NCUA)
Mary C. Short (OTS)

Legal Advisory Group

Paul Allan Schott, Chairman (OCC)
Robert M. Fenner (NCUA)
Douglas H. Jones (FDIC)
Jordan Luke (OTS)
J. Virgil Mattingly (FRB)

Interagency Staff Task Forces

Consumer Compliance

Glenn E. Loney, Chairman (FRB)
Jerauld C. Kluckman (OTS)

Examiner Education

Mary C. Short, Chairwoman (OTS)
Joe M. Cleaver (FRB)
Gerry B. Hagar (OCC)
Martin F. Kushner (NCUA)
Robert J. Ruff (FDIC)

Reports

Robert F. Storch, Chairman (FDIC)
Karen Kelbly (NCUA)
David C. Motter (OCC)
Rhoger H Pugh (FRB)
John F. Robinson (OTS)

Supervision

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

Surveillance Systems

Kathleen M. Cahill, Chairwoman (OCC)
Herbert A. Biern (FRB)
Charles V. Collier (FDIC)
Thomas A. Loeffler (OTS)
Alonzo Swann (NCUA)

Members of the Appraisal Subcommittee

Kevin M. Blakely, Chairman (OCC)
Timothy P. Hornbrook (NCUA)
Robert F. Miallovich (FDIC)
Mary C. Short (OTS)
Richard Spillenkothen (FRB)
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 interagency staff task forces:

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

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

In June, the Council created an ad hoc interagency staff working group to examine all of the issues associated with sales of assets with recourse within a risk-based capital framework. The study has since been broadened to include all recourse questions. It is expected that the Council will seek public comment on an issues paper during the first quarter of 1990.

Task Force on Consumer Compliance

The Task Force on Consumer Compliance 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 (regarding unfair or deceptive acts or practices), 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, the Flood Disaster Protection Act, 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 1989, much of the task force's work was in response to new legislation affecting consumer compliance and the Community Reinvestment Act, and was aimed at strengthening enforcement efforts in those areas.

The Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA) expanded the data-collection requirements of the Home Mortgage Disclosure Act (HMDA) and the types of institutions covered by the Act. A subcommittee of the task force, in coordination with the Department of Housing and Urban Development, worked closely with Federal Reserve staff to develop a reporting format, computer system, and revised Regulation C to accommodate the new requirements. Effective January 1, 1990, the amended Regulation C calls for the use of a loan register to record information about loan applications and purchases, in addition to loan originations. Covered institutions must now report the race, sex, and income of all applicants for those loans covered by the law.

Progress was made during the year on the Council's efforts to enhance the timeliness and accuracy of HMDA data reported by institutions and released to the public, as outlined in its May 1988 report to the Congress. The following actions were taken or are planned:

• In January, a manual entitled A Guide to HMDA Reporting: Getting it Right! was issued, providing an executive overview for management and instructions
for financial-institution staff preparing HMDA reports.

- Work has begun on technical improvements to the HMDA computer system and will be continued in 1990 as the expanded data collection and data aggregation capabilities are implemented.

- A joint advisory statement, encouraging covered institutions to file timely and accurate reports, was issued in May. It indicated that the agencies will emphasize HMDA compliance in examinations and consider what supervisory and enforcement actions may be appropriate to ensure compliance.

Enforcement of the Community Reinvestment Act of 1977 was also significantly affected by FIRREA. Beginning in July 1990, the agencies are required to disclose to the public the CRA ratings and written evaluations of the CRA records of institutions they examine, using the assessment factors in the regulations for judging CRA performance. The law also requires that a four-tiered, descriptive rating system be used in lieu of the current five-tiered, numeric system.

With the collaboration of agency field staff, the task force's CRA Subcommittee worked to develop a standardized approach to implementing the changes. The Subcommittee addressed the need for a revised interagency CRA rating system and for uniform guidelines on disclosing the written evaluations and ratings. The Council considered the draft proposal on December 14 and decided to publish it for public comment. The proposal appeared in the Federal Register on December 22, with public comment due by January 29, 1990. The Council will use the comments in developing final guidelines and possible regulatory changes that will be issued by each of the agencies. The preparation and disclosure of the evaluations will be the focus of regional interagency examiner training sessions scheduled for the spring of 1990.

A key policy development was the agencies' March 1989 issuance of a joint statement of policy revising their 1980 CRA Information Statement. Based on more than a decade of enforcement experience, the joint statement outlined the basic components of an effective CRA policy, the role of examinations, and the CRA aspects of the applications process. In light of the joint statement, the task force approved a question-and-answer document clarifying how CRA applies to single-purpose and limited-service institutions. The document supplements the existing staff questions and answers that accompany the agencies' CRA regulations.

In keeping with a continued emphasis on ensuring conformity with fair-lending laws, the task force proposed further study of various initiatives through which the agencies could improve institutions' understanding of and compliance with the Equal Credit Opportunity Act and the CRA. The specific approaches that the Council agreed should be the subject of further study by the task force included providing each institution's board of directors and senior management with a summary of the institution's HMDA data portraying the geographic distribution of its loans, sharing community-contact information among the agencies, publishing a pamphlet designed to raise institutions' awareness of potentially discriminatory lending practices, and encouraging the establishment of mortgage-review boards. These proposals were also mentioned in agency testimony on mortgage-lending discrimination before a Senate subcommittee in October 1989.

Examination procedures were also the focus of considerable attention by the task force in 1989. To accommodate recent legislation regarding credit card disclosures and home equity loan protections, a task force subcommittee drafted updated examination procedures for Regulation Z. Additionally, examination procedures were drafted for Regulation CC which implements the Expedited Funds Availability Act.

In addition to furthering its work in the areas outlined above, in 1990 the task force anticipates completing the revision of key consumer publications to reflect changes in the law, including A Citizen's Guide to CRA, Consumer Rights, and A Guide to HMDA Reporting: Getting It Right!

Task Force on Examiner Education

The Council offers specialized and advanced courses and conferences that are aimed at financial-institution examiners. These programs keep examiners up-to-date regarding changes in the industry and in laws and regulations. The programs are also open to state and foreign financial-institution examiners and other federal-agency employees.

Since the inception of its program, the Council has provided training to 24,931 individuals. During 1989, a curriculum of 14 approved courses and conferences was available. The member agencies and the states have provided instructors, and industry members have served as guest speakers. Intergency course-development groups provide guidance on topics and speakers.

The goals of the training program are—

- to foster uniformity of examiner education through interagency training;
- to develop and offer high-quality courses, seminars, and conferences that meet financial-institution examiner needs;
- to promote training efficiency by eliminating duplication where agencies' training needs are the same; and
- to assist in developing training opportunities for state supervisory agencies.
Council programs, which are usually five days or less in duration, are offered at in-house prices and are affordable to the member agencies and the states. This is possible because the participating agencies and states provide most of the course instructors and resources for course development.

The interagency training programs are of high quality and are devoted entirely to the needs of examiners. It is often less costly to offer one course on behalf of the five member agencies than to have multiple courses on the same subject. Because the pool of potential instructors is larger when five agencies are involved, the availability of high quality instruction is greatly enhanced. Also, this reduces the teaching burden on an individual agency and spreads the personal benefits derived from teaching to more examiners.

It is ideal when a course is available at the appropriate time in an examiner's development. Offering courses jointly means that more course sessions will be available throughout the year. For example, 19 sessions of Management Workshop and 11 sessions of Instructor Training were offered in 1989.

The Council offers specialized conferences on a variety of subjects. A single agency might not have sufficient on-going demand to justify such programs. However, the combined needs of five agencies and the states make such conferences economical. Twenty-two specialized conferences were conducted in 1989 including six sessions of White Collar Crime.

Facilities

The Council leases approximately 9,250 square feet of training and office space in Rosslyn, Virginia. Two classrooms and several break-out rooms are available. When additional classrooms are needed, they are provided by the FDIC, which has training facilities adjoining those of the Council. Conferences held in Washington are usually conducted in auditoriums provided without cost by the Office of Thrift Supervision. Regional conferences are generally conducted in auditoriums provided by the member agencies; however large conferences are usually conducted in hotel conference rooms.

Programs in 1989

The overall curriculum consists of seven courses and seven conferences. Following are descriptions of each course and conference offered by the Council in 1989.

Courses

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 as 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.

EDP Symposium

This is a week-long meeting of senior data processing examiners who address an emerging area of supervisory concern. During the week, the course leaders develop and refine a consensus report. This report is submitted to the Task Force on Supervision which weighs its possible impact on examination policies and procedures. Attendance is limited to 16 examiners per session. The two sessions conducted in 1989 addressed Application Software Reviews and Strategic Planning. This program is sponsored jointly with the Task Force on Supervision.

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 are experienced examiners who anticipate future teaching assignments in either agency or Council courses.

International Banking I

In this one-week course students learn the fundamental concepts, procedures, and terminology of international banking and the roles of the regulatory agencies. Topics include country risk, international lending, trade finance, and foreign exchange. The prerequisite for attendance is a minimum of one year's experience as an examiner. It is also recommended that attendees have some prior international experience.

International Banking II

The purpose of this four-day course is to build on the knowledge gained in International Banking I. This course gives more advanced treatment to foreign exchange, international lending, country risk, and merchant banking. Case studies give the student analytical experience in these areas. Senior examiner specialists teach this course, aided in some sessions by an invited speaker from the banking industry. Participants must have completed the basic course, have one year of international examining experience, and have on-going professional responsibilities in international banking.
### Actual Number of Attendees by Agency and by Course, 1989

<table>
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<tr>
<th>Course</th>
<th>FDIC</th>
<th>FRB</th>
<th>OCC</th>
<th>OTS</th>
<th>NCUA</th>
<th>PCA</th>
<th>ACSSS</th>
<th>Other</th>
<th>Total</th>
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<td>46</td>
<td>36</td>
<td>362</td>
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<td></td>
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<td>8</td>
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### International Capital Markets

The purpose of this one-week program is to focus on financial products currently used in international banking. The topics may vary from session to session, but include currency and interest-rate swaps, stock and currency options, and financial futures and derivatives. Participants learn to analyze records of transactions, address regulatory concerns, and write any needed examination comments. Prerequisites include International Banking I and II, Off-Balance-Sheet Risk Conference, and on-going professional responsibilities in capital-market activities.

### Management Workshop

This one-week course is a general skill-building course designed to strengthen and expand the practical applications of basic management concepts. 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 video-tapes. The desired results are an improved self-perception as a manager, greater knowledge of good management techniques, and improved management practices. Participants should have a minimum of five to ten years’ examining experience.

### Conferences

#### Income-Property Lending Conference

This conference presents analytical techniques to equip examiners with the skills to assess the assumptions built into real estate market studies, feasibility studies, and appraisals. The course emphasizes appraisal analysis, construction lending and construction disbursement management. Additional topics vary but have included construction, real estate law, workouts, and environmental issues. This conference is open only to commissioned examiners who have considerable involvement with income-property and commercial real estate lending. Conference length may vary, but is generally three and a half days.

### Information Systems and Technology Conference

The Information Systems and Technology Conference is designed to update senior data processing examiners on current developments in data processing, software, systems development, security controls, telecommunications, networks, auditing, computer fraud, and many other issues. The conference features guest speakers who are recognized authorities in their fields. Topics and duration vary from session to session. One five-day session was conducted in 1989, as will be the case in 1990.
banking or financial arenas. One session was held in 1989. This conference is conducted every other year.

**Off-Balance-Sheet Risk Conference**

The purpose of this conference is to improve examiners' understanding of the incentives for and implications of financial institutions' off-balance-sheet, income-generating activities. Risk assessment of standby letters of credit, loan commitments, financial futures and options, interest-rate swaps and a wide range of other capital market products are emphasized. This three-and-a-half day conference is aimed at senior field examiners who need to learn more about the risks associated with off-balance-sheet activities.

**Payment-Systems Risk Conference (formerly Large-Dollar Transfer Risk Conference)**

This conference improves examiners' understanding of the risks involved in payment systems, the methods used to minimize these risks, and the means of evaluating these risks in the examination process. Topics include functions of payment/settlement/message systems, risks associated with wire transfers, risks associated with daylight overdrafts, legal considerations, and potential insurance risks. Attendees are field examiners who need a greater understanding of the risks associated with payment systems. In 1990 the FFIEC is conducting sessions of Payment-Systems Risk in the same week—and in the same location—as Off-Balance-Sheet Risk, in order that those who want to attend both conferences may do so and minimize travel costs.

**Trust Conference**

The Trust Conference emphasizes current events in trust banking. Topics vary from session to session, and feature guest speakers who are recognized leaders in the fiduciary industry. Senior examination personnel who examine fiduciary activities are the attendees at this conference. One three-day session is planned for 1990.

**White-Collar Crime Conference**

This conference, formerly categorized as a course, became an inter-agency project as a result of the agencies' increased emphasis on detection of fraud and insider abuse. Open to any examiner with two years' examining experience, this one-week conference covers major types of fraudulent activity, including real estate fraud, investment-securities fraud, and computer fraud. Basic detection and investigation techniques are stressed. Each attendee gains familiarity with the relevant criminal statutes administered by the U.S. Department of Justice, as well as preservation of evidence, interviewing, testifying, and working with the FBI. Red flags signaling institutional as well as individual types of fraud will be presented. Cooperation between outside auditors and examiners and prevention of fraud are also important considerations.

**Education Fees**

For 1990, the education fee for the member agencies and states per attendee is approximately $200 for courses and $300 for conferences. Other agencies' and foreign attendees are charged a tuition of $300 for courses and $400 for conferences.

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

**FFIEC Training Center**

10th Floor
1701 N. Ft. Myer Drive
Arlington, VA 22209
Tel: 202/898-3528
FAX: 202/898-8558

**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 developing uniform interagency reports for periodic information needed in effective supervision. The task force is thus concerned with such issues as developing and interpreting reporting instructions; applying accounting standards to specific transactions;
publishing and distributing reports; developing and applying processing standards; monitoring data quality; assessing reporting burden; and coordinating 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. To carry out its responsibilities, the task force has established a standing subcommittee on instructions and accounting standards. Working groups are also organized as needed to handle reporting, instructional, and processing matters of a specialized or technical nature.

Activities of the Task Force

During 1989, the task force concentrated on the Reports of Condition and Income (Call Reports) filed by commercial banks and FDIC-supervised savings banks and the Monthly Consolidated Foreign Currency Report of Banks in the United States. With respect to the Call Reports, the task force completed the implementation of certain changes to the data collected in the reports in the first quarter of 1989. Developed and received the Council's approval for reporting requirements primarily related to risk-based capital and off-balance-sheet items that will become effective in 1990, revised and reprinted the Call Report instruction books, continued its consideration of interest-rate-swap reporting standards, and adopted instructions governing the use of push-down accounting. In addition, the Council authorized the task force to participate in an assessment of the feasibility of common reporting by banks and thrifts.

Following approval from the Office of Management and Budget, a number of reporting changes that the task force adopted in late 1988 took effect with the March 31, 1989 Call Reports. The new information that banks began to report is designed to help the banking agencies identify and monitor risks for which adequate data had not previously been available. The reporting changes included separate items for bank holdings of equity securities, a memorandum item for direct and indirect investments in real estate ventures, items for the amount of risk exposure associated with three types of mortgage transfers with recourse that are treated as sales for Call Report purposes, an additional item pertaining to the rate sensitivity of certain time deposits, and the separate reporting of accrued interest payable on domestic office deposit liabilities. In addition, an income statement memorandum item for certain non-tax-deductible expenses was deleted. In connection with the introduction of the items on mortgage transfers with recourse, the related instructions provided, for prospective application, a clarification of the meaning of the phrase "significant risk of loss" as it is used in determining the regulatory reporting treatment for privately issued certificates of participation in pools of residential mortgages.

The March 31, 1989, report date also marked the extension of the applicability of the Council's commercial bank Call Report forms to the approximately 475 FDIC-supervised savings banks. Through year-end 1988, these savings banks filed a different set of Call Report forms with the FDIC. This separate FDIC reporting format was then discontinued, although the FDIC requires savings banks to complete a supplemental schedule primarily consisting of interest rate sensitivity data in lieu of certain memorandum items of a similar nature in three of the Council's Call Report schedules.

The task force continued the work it began in 1988 to devise reporting requirements that will facilitate the banking agencies' measurement and monitoring of banks' risk-based capital levels and more clearly identify the nature and extent of banks' off-balance-sheet activities. The adoption of final risk-based capital standards by the three banking agencies during the first quarter of 1989 enabled the task force to complete its initial determination of the amounts and types of information that should be collected to meet the agencies' data needs. During this development phase, the task force consulted periodically with the Inter-Association Committee on Bank Accounting (which is composed of representatives of the accounting and/or reporting committees of the American Bankers Association, Association of Reserve City Bankers, Bank Administration Institute, Chicago Loop Group, Independent Bankers Association of America, New York Clearing House Association, and Robert Morris Associates and whose members are from both large and small banks in different parts of the United States.)

In August 1989, the task force received the Council's approval to issue for a 45-day comment period a proposed set of changes to the Call Report (along with related instructions) designed to provide the banking agencies with sufficient data to permit the monitoring of risk-based capital, consistent with their stated goal of limiting the reporting burden that the risk-based capital framework may entail, especially with respect to smaller banks. The proposal also included other reporting changes considered necessary for bank-supervision purposes, particularly in the off-balance-sheet area.

After the close of the comment period on October 13, 1989, the task force evaluated the comments received and, in response to those comments, agreed upon certain modifications to the proposed reporting requirements and related instructions. After incorporating these modifications, the Council on November 22 approved the task force's recommendation to adopt revised Call Report requirements that were otherwise substantially the same as those proposed in
August. These changes consist of a new risk-based capital schedule (Schedule RC-R), a revised version of the current off-balance-sheet schedule (Schedule RC-L), more detailed breakdowns in the securities schedule (Schedule RC-B) of bank holdings of obligations of U.S. government agencies and corporations and state and local government securities, and modifications of existing items or the addition of new items in four other Call Report schedules. A central feature of the new risk-based capital schedule is a simplified risk-based capital test for banks with less than $1 billion in total assets whose outcome will determine whether such banks are exempt from completing the entire schedule. It is anticipated that at least 85 percent of such banks will qualify for this exemption. In general, subject to approval by the Office of Management and Budget, these reporting changes will be effective as of the March 31, 1990, report date. In addition, the information reported in the new risk-based capital schedule during the first three quarters of 1990 will be accorded confidential treatment. Data from this schedule for individual banks will become publicly available beginning with the reports for December 31, 1990, the date when banks are first required to achieve a specified minimum capital ratio under the banking agencies' risk-based capital standards.

During the second quarter of 1989, the task force completed a revision of the instruction book for each of the four versions of the Reports of Condition and Income. The printing and distribution of these instruction books to all banks, the staffs of the federal banking agencies, and state banking departments was completed during the third quarter. The revised instruction books incorporated all of the instructional changes that had been issued since the previous edition of these books was printed in mid-1986, as well as certain other additions, corrections, and changes to the instructions.

In November 1988, the Council approved the solicitation of public comment on proposed regulatory reporting standards for interest-rate swaps which, among other provisions, would preclude the recognition by swap dealers of arrangement fees and spread income at the inception of a swap. As proposed, the Call Report instruction was to become effective for swaps entered into after December 31, 1988. The comment period ended in January 1989 and the views expressed in the 33 comment letters received have been evaluated. The task force has explored possible approaches that regulatory reporting standards for swaps could take in light of the comments received and further consideration of the accounting and supervisory concerns about swaps. Resolution of this proposal remains pending.

The task force announced its adoption in August of a Call Report instruction governing the use of push-down accounting in the Reports of Condition and Income, a subject that the instructions had not previously addressed. Push-down accounting establishes a new basis of accounting and reporting in the separate financial statements of a bank as a result of a substantive change in control. The provisions of this new Call Report instruction are similar to the push-down accounting guidance that has been issued by the Securities and Exchange Commission. Banks' use of push-down accounting is optional for changes in control of at least 80 percent but less than 95 percent. For changes in control of 95 percent or more, the use of push-down accounting is required for Call Report purposes. The push-down instruction is applicable to acquisitions occurring after September 30, 1989. At the same time, the task force issued a Call Report instruction on the reporting of the alternative minimum tax (AMT) by bank subsidiaries of holding companies. This instruction describes the procedure that should be employed to allocate the AMT and AMT credit carryforwards within a consolidated group.

During the first half of 1989, a task-force working group developed a proposed revision of the Monthly Consolidated Foreign Currency Report of Banks in the United States (FFIEC 035). This report must be prepared by banking organizations with foreign-currency positions in excess of a prescribed threshold. The revision was aimed at correcting limitations in the scope of the information gathered through the existing version of the report in order to allow for a more complete and effective monitoring of banks' foreign-exchange positions as well as trends in the foreign-exchange markets. Accordingly, the revised report will for the first time collect data on products such as currency options, swaps, and futures. At its June 1989 meeting, the Council approved the proposed revision subject to the solicitation of comments from affected institutions and submission of the proposal to the Office of Management and Budget (OMB) for its review. Several modifications were made in response to specific recommendations from bank commenters, after which OMB granted its approval. The Council gave its final approval of the revision of the monthly foreign-currency report on November 22, 1989. The revised report form will become effective in April 1990, although banking organizations have the option to begin using it earlier in 1990 if they so choose.

At its December 14, 1989, meeting, the Council approved a request by the Task Forces on Reports and Surveillance Systems to initiate a project to assess the feasibility of developing a common quarterly financial-reporting system for banks and thrifts. The first stage of this common reporting study would be to evaluate the possible integration of thrift institutions into the Council's uniform performance report production system. It is envisioned that the results of this portion of
the project will permit the task force to identify and categorize those data items that could constitute a core report for banks and thrifts.

Task Force on Supervision

The Task Force on Supervision (TFS) has jurisdiction over 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 the supervisory process. Significant issues are referred, with 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 senior supervisory officials of the constituent agencies. Meetings are held periodically to address and resolve common supervisory issues. The task force has standing subcommittees for electronic data processing, investment, and securities-fraud. Ad hoc working groups are created to handle particular projects and assignments as needed.

Activities of the Task Force

During 1989, the task force and its working groups were involved in a number of projects. The three standing subcommittees produced a number of products, and the ad hoc subcommittees, which are formed to deal with specific issues and which are dissolved upon completion, were also quite active.

The working group on investments was established in 1984 to evaluate certain major securities issues widely held by financial institutions. The 1938 Interagency Accord is the framework for the group's decisions and the task force has delegated the securities classification decisions to this group.

In 1986, the working group on securities fraud was established. This working group serves as a forum for financial institutions' and securities dealers' trading practices and develops appropriate uniform supervisory approaches. In addition, the securities-fraud working group serves as a clearinghouse on these trading practices and any related enforcement action.

The electronic data processing (EDP) working group was officially established in 1979. It sponsors symposia, coordinates examination of multiregional data processing services, and maintains the FFIEC EDP Examination Handbook. In May 1989, this working group held a symposium on the risks associated with shared-application software and has initiated a pilot program to determine the feasibility of ongoing interagency review in this area. The results of the pilot program will be presented to the TFS in 1990.

Each year in June the EDP working group sponsors an Information Systems and Technology Conference. The 1989 conference focused on current developments in EDP and featured nationally recognized experts as speakers. In July the TFS approved a guideline on contingency planning developed by this working group. In October, a symposium on strategic information systems planning for financial institutions was held, and the annual update to the FFIEC EDP Examination Handbook was published.

In 1990, work will continue on several projects initiated earlier. The Interest Rate Risk (IRR) working group is developing a general IRR policy, which is consistent with the ongoing international effort to develop an IRR component for risk-based capital standards. It is anticipated that a policy statement will be presented to the Council in 1990 for approval. In addition, this working group is evaluating the feasibility of improving the financial data that is collected to monitor interest-rate risk.

During 1989, the TFS formed a trading vs. investment working group to evaluate accounting, regulatory, and supervisory practices in connection with financial institutions' asset portfolios. Currently, financial institutions do not use uniform accounting practices in all cases. The goal of this working group is to develop consistency in this area.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) has been the impetus for two new projects. Working groups have been formed to study uniform accounting and to implement section 719, which provides for the sharing of supervisory information with the Federal Home Loan Banks. In addition, it is anticipated that a working group may be formed to develop policies and procedures for referring work done by accountants for financial institutions that is considered less than satisfactory to the appropriate professional societies and/or licensing agents.

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 include formulating goals, setting objectives, and establishing priorities of relevant tasks. Historically, its primary objective has been to develop and produce the Uniform Bank Performance Report (UBPR) 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.

Activities of the Task Force

During 1989, the task force completed two projects in addition to the work it performed to maintain and enhance the UBPR. In the
beginning of the year, the task force completed its plan to eliminate use of the Uniform Surveillance System (USS). This project was approved by the Council at the end of 1988, and implemented with delivery of the June 30, 1989 data. At that time, the task force made arrangements with the FDIC to allow state regulatory agencies access to the FDIC's more widely used surveillance system known as CAEL.

During the last half of 1989, the task force negotiated a new three-year UBPR memorandum of understanding between the FFIEC and the three banking agencies. This memorandum, which covers all UBPR activities from January 1, 1990, through December 31, 1992, was approved by the Council on December 14, 1989.

The task force also approved the proposal to add data on FDIC-insured savings banks into the current UBPR system. Historically, the UBPR has included only data on insured commercial banks. A working group of the task force completed system design and development during 1989 and plans to deliver the additional data to FDIC-insured savings banks with the March 1990 UBPR edition. The new banks will not be grouped and compared with insured commercial banks, but, rather, they will be grouped into four unique peer groups in addition to the customary 25 insured commercial bank peer groups. Task Force plans for 1990 include—

• reviewing the feasibility of including thrift data in the UBPR system;
• rewriting the UBPR User's Guide to reflect significant content changes implemented over the last two years;
• enhancing the system as necessary, to reflect risk-based capital requirements and to provide meaningful data with which to monitor interest-rate sensitivity; and
• developing new end-user reports that would utilize data currently generated by the UBPR system.

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 report, is available for $15. Peer Group Report, showing average ratios for all 25 peer groups, is available for $50. The State Average Report is available for $30. Standardized UBPR quarterly data sets on magnetic tape are available for $400 per disclosure tape. 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 850B
Washington, DC 20006
The five federal-financial institutions regulatory agencies represented on the Council have primary federal supervisory jurisdiction over about 30,000 domestically chartered banks and thrift institutions, which, on June 30, 1989, held total assets of almost $5.5 trillion. The Federal Reserve Board and the Office of Thrift Supervision 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 and is headed by a five-member board of directors. Not more than three of the members may be of the same political party. Three of the directors are appointed by the President, with the advice and consent of the Senate, for six-year terms. One of these persons is designated by the President as Chairman for a term of five years and another person is designated by the President as Vice Chairman. The other two board members are the Comptroller of the Currency and the Director of the Office of Thrift Supervision.

The FDIC directs two federal deposit insurance programs, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). The basic insured amount for a depositor is $100,000 at each insured financial institution. The BIF has built up an insurance fund through income from investments in U.S. government securities and from annual assessments paid by insured commercial banks, certain federal and state savings banks, and industrial banks. The SAIF, which was created by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), receives annual assessments from insured savings and loan associations. Administration and supervisory expenses of SAIF are to be paid by the FSLIC Resolution Fund through 1991. From 1992 through 1999, the Secretary of the Treasury will provide sufficient amounts for the SAIF to meet its obligations. In emergency situations, the FDIC may borrow up to $5 billion from the U.S. Treasury to be used for the needs of either fund.

National banks and state banks that are members of the Federal Reserve
System automatically have FDIC insurance. Insurance for state-chartered banks that are not members of the Federal Reserve System is voluntary under federal law but in practice is generally required by law or practice in most states. U.S. branches of foreign banks are eligible for FDIC insurance. Federal and state savings associations that were chartered banks that are not members of the former Federal Savings and Loan Insurance Corporation were automatically insured after the enactment of FIRREA.

The FDIC has authority to examine insured financial institutions either directly or in cooperation with state or other federal authorities. The FDIC also acts on applications for structural or corporate changes, and rules on applications for insurance. Its primary regulatory and supervisory authority is confined to insured state banks that are not members of the Federal Reserve System; however, the Corporation’s authority has been extended to monitor certain activities of the thrift industry. Proposed savings associations may become insured only after approval by the FDIC. The FDIC’s supervisory authority has been extended to savings associations in that the FDIC may prohibit activities which pose a serious threat to the SAIF fund and may limit powers of state-chartered savings associations to those permitted for a federal savings association. The FDIC is organized into eight supervision regions, each of which is headed by a regional director.

In order to protect depositors of failed banks, promote stability, and maintain public confidence in the banking system, the Corporation may provide assistance in a number of ways. These include making deposit payoffs, arranging purchase and assumption transactions, effecting insured-deposit transfers, providing open-bank assistance, using bridge banks, and utilizing its conservatorship powers. Bank liquidation activities are divided among four regions, each of which is headed by a regional director.

In addition to its responsibilities in dealing with failing banks, the FDIC is the exclusive manager of the Resolution Trust Corporation (RTC). The primary purposes of the RTC are (1) to resolve cases involving institutions that were once insured by the Federal Savings and Loan Insurance Corporation and that are placed in a conservatorship or receivership between January 1, 1989, and August 8, 1992; (2) to liquidate the Federal Asset Disposition Association; and (3) to conduct its operations so as to maximize recovery on assets it acquires, minimize the impact of its activities on local markets, make efficient use of its funds, minimize losses incurred in resolving cases, and maximize preservation of affordable housing. In fulfilling its responsibilities as manager of the RTC, the board of directors of the FDIC is the board of directors of the RTC and the Chairman of the FDIC board of directors is the Chairman of the RTC board of directors.

Overall goals and strategies of the RTC are under the direction of an oversight board composed of the Secretary of the Treasury (who serves as Chairman), the Secretary of Housing and Urban Development, the Chairman of the Board of Governors of the Federal Reserve System and two independent persons chosen by the President and confirmed by the Senate. The independent members cannot hold any other appointed position and may be from the private sector.

In dealing with institutions in its custody, the RTC will exercise the FDIC's conservatorship and receivership powers. These include the power to operate an institution as a going concern, to facilitate its acquisition, or to liquidate it. The RTC also is able to create federal savings associations and bridge banks under its FDIC powers during the course of its resolution activities. The RTC is organized into four regions, each of which is headed by a regional director.

Under the provisions of FIRREA, the RTC will exist until December 31, 1996.

The National Credit Union Administration (NCUA)

The NCUA is the agency that heads the nation’s federal credit union system, established by an Act of Congress in 1934. It is managed by a three-member bipartisan board appointed by the President for six-year terms. The President selects a member to serve as Chairman of the board.

The NCUA—

• charters, examines, and supervises nearly 9,000 federal credit unions nationwide;
• administers the National Credit Union Share Insurance Fund, (NCUSIF) which insures 95 percent of member share accounts in nearly 14,000 of the country’s federal and state-chartered credit unions; and
• manages the Central Liquidity Facility, a central bank for credit unions that provides financial stability to the credit union system.

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

NCUA has six regional offices across the country that administer its responsibility to charter and supervise credit unions. NCUA examiners conduct annual on-site examinations of each federal credit union.

Tax dollars do not fund NCUA. The agency is supported 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 approximately 4,200 national banks, with about $1.9 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, for the establishment of branches, and for 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 appropriate, the OCC issues rules and regulations concerning bank lending, bank investment, and other aspects of bank operations.

The OCC is organized geographically into six districts, each headed by a Deputy Comptroller. The agency is funded through assessments on the assets of national banks and by fees charged for corporate applications.

Office of Thrift Supervision (OTS)

OTS was established as a bureau of the Treasury Department in August 1989, and became operational in October, as part of a major reorganization of the thrift regulatory structure mandated by the Financial Institutions Reform, Recovery and Enforcement Act.

In that Act, Congress gave OTS authority to charter federal thrift institutions and serve as the primary regulator of the approximately 2,600 federal and state-chartered thrifts belonging to the Savings Association Insurance Fund (SAIF). OTS carries out that responsibility by adopting regulations governing the savings and loan industry and by examining and supervising thrift institutions and their affiliates as well as by taking whatever action is necessary to enforce their compliance with federal law and regulations.

In addition to overseeing thrift institutions themselves, OTS also regulates, examines and supervises companies that own thrifts, and controls the acquisition of thrifts by such holding companies.

OTS is headed by a director appointed by the President and confirmed by the Senate to serve a five-year term. The OTS director also serves on the boards of the Federal Deposit Insurance Corporation and the Resolution Trust Corporation and, in addition, is a director of the Neighborhood Reinvestment Corporation.

To carry out its mission, OTS is organized into six main divisions:

- Supervision-Operations oversees the examination and supervision of savings institutions by regulatory staff in 12 district offices. The OTS offices are located in Boston, New York, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago, Des Moines, Dallas, Topeka, San Francisco, and Seattle. In addition, the office’s

Corporate Activities Division processes applications submitted by thrift institutions, and the Capital Enhancement Group assists undercapitalized thrift institutions find new sources of capital, including merger partners.

- Supervision-Policy is responsible for developing regulations, directives and other policies to ensure the safe and sound operation of savings institutions as well as their compliance with federal law and regulations. The office also provides guidance for industry compliance with consumer and non-discrimination laws and regulations.

- Chief Counsel provides a full range of legal services to the agency, including writing regulations, representing the agency in court, and taking enforcement actions against savings institutions that violate laws or regulations. This office also processes corporate filings required by the Securities and Exchange Act of 1934.

- Congressional Relations & Communications is responsible for publishing and communicating information about OTS and its actions and policies to the thrift industry, Congress, the public and the news media; making agency documents, legal filings and other written material available; handling consumer and discrimination complaints, maintaining liaison with minority-owned thrifts and acting on Freedom of Information Act inquiries.

- Management includes all administrative functions including human resources and the agency’s nationwide computer system. This office handles all agency contracting with small and minority-owned businesses.

- Chief Economist encompasses the collection and analysis of thrift industry and general economic data.

The OTS uses no tax money to fund its operations. Its expenses are met by fees and assessments on the thrift institutions it regulates.
ASSETS, LIABILITIES AND NET WORTH of U.S. Commercial Banks and Thrift Institutions\(^1\) as of June 30, 1989

Billions of dollars

<table>
<thead>
<tr>
<th></th>
<th>U.S. Commercial Banks(^2)</th>
<th>Savings and Loan Associations</th>
<th>FSLIC-Insured Institutions</th>
<th>Credit Unions(^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>5,496</td>
<td>1,897</td>
<td>550</td>
<td>757</td>
</tr>
<tr>
<td>Total loans and lease receivables (net)</td>
<td>3,549</td>
<td>1,220</td>
<td>304</td>
<td>455</td>
</tr>
<tr>
<td>Loans secured by real estate(^4)</td>
<td>1,879</td>
<td>437</td>
<td>74</td>
<td>207</td>
</tr>
<tr>
<td>Consumer loans(^5)</td>
<td>531</td>
<td>239</td>
<td>43</td>
<td>98</td>
</tr>
<tr>
<td>Commercial and industrial loans</td>
<td>792</td>
<td>386</td>
<td>115</td>
<td>115</td>
</tr>
<tr>
<td>All other loans and lease receivables(^6)</td>
<td>404</td>
<td>187</td>
<td>81</td>
<td>42</td>
</tr>
<tr>
<td>LESS: Allowance for possible loan and lease losses</td>
<td>60</td>
<td>29</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Federal funds sold and securities purchased under agreements to resell</td>
<td>160</td>
<td>78</td>
<td>33</td>
<td>29</td>
</tr>
<tr>
<td>Cash and due from depository institutions(^7)</td>
<td>494</td>
<td>200</td>
<td>70</td>
<td>67</td>
</tr>
<tr>
<td>Securities and other obligations(^8)</td>
<td>833</td>
<td>284</td>
<td>87</td>
<td>171</td>
</tr>
<tr>
<td>U.S. Gov’t obligations(^9)</td>
<td>441</td>
<td>185</td>
<td>48</td>
<td>121</td>
</tr>
<tr>
<td>Obligations of state and local gov’ts(^10)</td>
<td>101</td>
<td>53</td>
<td>18</td>
<td>29</td>
</tr>
<tr>
<td>Other securities</td>
<td>291</td>
<td>46</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Other assets(^11)</td>
<td>459</td>
<td>115</td>
<td>56</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>5,221</td>
<td>1,783</td>
<td>517</td>
<td>697</td>
</tr>
<tr>
<td>Total deposits and shares(^12)</td>
<td>4,013</td>
<td>1,433</td>
<td>395</td>
<td>623</td>
</tr>
<tr>
<td>Federal funds purchased and securities sold under agreements to repurchase</td>
<td>423</td>
<td>171</td>
<td>53</td>
<td>39</td>
</tr>
<tr>
<td>Other borrowings(^13)</td>
<td>523</td>
<td>107</td>
<td>42</td>
<td>23</td>
</tr>
<tr>
<td>Other liabilities(^14)</td>
<td>262</td>
<td>73</td>
<td>27</td>
<td>12</td>
</tr>
<tr>
<td><strong>Net Worth</strong>(^15)</td>
<td>275</td>
<td>114</td>
<td>33</td>
<td>60</td>
</tr>
</tbody>
</table>

Memorandum: Number of institutions reporting 30,513 4,281 1,037 7,619 546 471 1,069 1,165 700 8,964 4,661

Symbols Appearing in Tables
\(* = \text{Less than } \$500\text{ million} \)
\(\dagger = \text{Not available separately} \)
\(\ddagger = \text{Not applicable} \)

NOTE: Status of FSLIC changed by FIRREA August 9, 1989

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.
3. The credit union data are for federally-insured credit unions only.
4. Loans secured by residential property, commercial property, farmland (including improvements) and unimproved land, and construction loans secured by real estate. For FSLIC-insured institutions, 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. FSLIC-insured institutions data are for cash and demand deposits only. Time deposits are included in “Other securities.”
8. Government and corporate securities, including mortgage-backed securities and loans to states and political subdivisions and to U.S. government agencies and cor-

24
INCOME AND EXPENSES of U.S. Commercial Banks and Thrift Institutions\(^1\) for the 12 months ending June 30, 1989

Billions of dollars

<table>
<thead>
<tr>
<th></th>
<th>U.S. Commercial Banks</th>
<th>U.S. Branches and Agencies of Foreign Banks(^6)</th>
<th>FSLIC-insured Institutions</th>
<th>Credit Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>514</td>
<td>215</td>
<td>77</td>
<td>23</td>
</tr>
<tr>
<td>Interest and fees on loans</td>
<td>353</td>
<td>138</td>
<td>32</td>
<td>49</td>
</tr>
<tr>
<td>Other interest and dividend income</td>
<td>94</td>
<td>40</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>All other operating income</td>
<td>69</td>
<td>37</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>484</td>
<td>191</td>
<td>50</td>
<td>68</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>63</td>
<td>28</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Interest on deposits and shares</td>
<td>240</td>
<td>86</td>
<td>23</td>
<td>35</td>
</tr>
<tr>
<td>Interest on other borrowed money</td>
<td>73</td>
<td>32</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Provision for loan and lease losses</td>
<td>32</td>
<td>10</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>All other operating expenses</td>
<td>77</td>
<td>35</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>31</td>
<td>24</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Securities Gains and Losses</td>
<td>1</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>15</td>
<td>7</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Net Income</td>
<td>18</td>
<td>17</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Memorandum: Number of institutions reporting

|                                | 29,967 | 4,281 | 1,037 | 7,619 | 471 | 1,069 | 1,165 | 700 | 8,964 | 4,661 |

---

1. For FSLIC-insured institutions, also includes time deposits and excludes mortgage-backed securities.


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 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 FSLIC-insured institutions, 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 for FSLIC-insured institutions.

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.
APPENDIX A. RELEVANT STATUTES

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 Office of Thrift Supervision 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 Office of Thrift Supervision, 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 Director of the Office of Thrift Supervision 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, includ-

ing 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 writ-
ten statement of the reasons the recommendation is unacceptable.

(c) The Council shall develop uniform reporting systems for Federally supervised financial institutions, their holding companies, and nonfinancial 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.

Risk Management Training

Sec. 1009A (a) Seminars. The Council shall develop and administer training seminars in risk management for its employees and the employees of insured financial institutions.

(b) Study of Risk Management Training Program. Not later than end of the 1-year period beginning on the date of the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the Council shall—

(1) conduct a study on the feasibility and appropriateness of establishing a formalized risk management training program designed to lead to the certification of Risk Management Analysts; and

(2) report to the Congress the results of such study.

Audit 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)."

Establishment of Appraisal Subcommittee

Sec. 1011. There shall be within the Council a subcommittee to be known as the "Appraisal Subcommittee," which shall consist of the designees of the heads of the Federal financial institutions regulatory agencies. Each such designee
shall be a person who has demonstrated knowledge and competence concerning the appraisal profession.

Excerpts From Title III of Public Law 94–200

The following are applicable Sections of Title III—Home Mortgage Disclosure impacting upon the Federal Financial Institutions Examination Council.

Findings and Purpose

Sec.302. (a) The Congress finds that some depository institutions have sometimes contributed to the decline of certain geographic areas by their failure pursuant to their chartering responsibilities to provide adequate home financing to qualified applicants on reasonable terms and conditions.

(b) The purpose of this title is to provide the citizens and public officials of the United States with sufficient information to enable them to determine whether depository institutions are filling their obligations to serve the housing needs of the communities and neighborhoods in which they are located and to assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment.

Maintenance of Records and Public Disclosure

Sec.304 (f) The Federal Financial Institutions Examination Council in consultation with the Secretary, shall implement a system to facilitate access to data required to be disclosed under this section. Such system shall include arrangements for a central depository of data in each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not comprised of designated primary metropolitan statistical areas. Disclosure statements shall be made available to the public for inspection and copying at such central depository of data for all depository institutions which are required to disclose information under this section (or which are exempted pursuant to section 306(b)) and which have a home office or branch office within such primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not comprised of designated primary metropolitan statistical areas.

Compilation of Aggregate Data

Sec. 310 (a) Beginning with data for calendar year 1980, The Federal Financial Institutions Examination Council shall compile each year, for each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not comprised of designated primary metropolitan statistical areas, aggregate data by census tract for all depository institutions which are required to disclose under section 304 or which are exempt pursuant to section 306(b). The Council shall also produce tables indicating, for each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not comprised of designated primary metropolitan statistical areas, aggregate lending patterns for various categories of census tracts grouped according to location, age of housing stock, income level and racial characteristics.

(b) The Board shall provide staff and data processing resources to the Council to enable it to carry out the provisions of subsection (a).

(c) The data and tables required pursuant to subsection (a) shall be made available to the public by no later than December 31 of the year following the calendar year on which the data is based.

Excerpts from Title XI of Public Law 101–73

Sec. 1103. Functions of Appraisal Subcommittee.

(a) In General. The Appraisal Subcommittee shall—

(1) monitor the requirements established by States for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally regulated transactions, including a code of professional responsibility;

(2) monitor the requirements established by the Federal financial institutions regulatory agencies and the Resolution Trust Corporation with respect to—

(A) appraisal standards for federally related transactions under their jurisdiction, and

(B) determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser.

(3) maintain a national registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions; and

(4) transmit an annual report to the Congress not later than January 31 of each year which describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year.

(b) Monitoring and Reviewing Foundation. The Appraisal Subcommittee shall monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.

Sec. 1104. Chairperson of Appraisal Subcommittee: Term of Chairperson; meetings.

(a) Chairperson. The Council shall select the Chairperson of the subcommittee. The term of the Chairperson shall be 2 years.
To the Federal Financial Institutions Examination Council

We have audited the accompanying balance sheet of the Federal Financial Institutions Examination Council at December 31, 1989, and the related statements of revenues and expenses and fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Federal Financial Institutions Examination Council for the year ended December 31, 1988, were audited by other auditors, whose report, dated February 24, 1989, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the financial audit standards in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Financial Institutions Examination Council as of December 31, 1989, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand
Washington, D.C.
February 16, 1990
FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
Balance Sheets as of December 31, 1989 and 1988

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>1989</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, held by Board of Governors of the Federal Reserve System</td>
<td>$281,795</td>
<td>$145,389</td>
</tr>
<tr>
<td>Accounts receivable from member organizations</td>
<td>185,057</td>
<td>206,189</td>
</tr>
<tr>
<td>Other accounts receivable</td>
<td>45,812</td>
<td>18,255</td>
</tr>
<tr>
<td>Total current assets</td>
<td><strong>512,664</strong></td>
<td><strong>369,833</strong></td>
</tr>
<tr>
<td>FURNITURE AND EQUIPMENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture and equipment, at cost</td>
<td>100,923</td>
<td>101,584</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>69,233</td>
<td>54,273</td>
</tr>
<tr>
<td>Total furniture and equipment</td>
<td><strong>31,690</strong></td>
<td><strong>47,311</strong></td>
</tr>
<tr>
<td>LEASEHOLD IMPROVEMENTS, net of amortization</td>
<td>-</td>
<td>3,564</td>
</tr>
<tr>
<td>Total assets</td>
<td><strong>$544,354</strong></td>
<td><strong>$420,708</strong></td>
</tr>
</tbody>
</table>

| LIABILITIES AND FUND BALANCE |         |         |
| CURRENT LIABILITIES |         |         |
| Accounts payable to member organizations | $ 75,999 | $172,464 |
| Other accounts payable and accrued liabilities | 98,544 | 130,783 |
| Accrued annual leave | 31,830 | 22,761 |
| Total current liabilities | **206,373** | **326,008** |
| FUND BALANCE |         |         |
| 337,981 | 94,700 |
| Total liabilities and fund balance | **$544,354** | **$420,708** |

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, 1989 and 1988

<table>
<thead>
<tr>
<th></th>
<th>1989</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessments to member organizations</td>
<td>1,298,900</td>
<td>936,000</td>
</tr>
<tr>
<td>Tuition</td>
<td>330,804</td>
<td>301,796</td>
</tr>
<tr>
<td>Uniform Bank Performance Report reimbursement</td>
<td>143,678</td>
<td>124,695</td>
</tr>
<tr>
<td>Lodging facility rental</td>
<td>—</td>
<td>998,007</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>1,773,382</td>
<td>2,360,498</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and related benefits</td>
<td>639,599</td>
<td>616,618</td>
</tr>
<tr>
<td>Data processing</td>
<td>311,234</td>
<td>174,591</td>
</tr>
<tr>
<td>Rental of office space</td>
<td>243,518</td>
<td>267,654</td>
</tr>
<tr>
<td>Travel</td>
<td>53,687</td>
<td>59,391</td>
</tr>
<tr>
<td>Books and subscriptions</td>
<td>51,309</td>
<td>36,684</td>
</tr>
<tr>
<td>Printing</td>
<td>43,953</td>
<td>37,492</td>
</tr>
<tr>
<td>Rental and maintenance of office equipment</td>
<td>35,930</td>
<td>27,396</td>
</tr>
<tr>
<td>Professional fees</td>
<td>32,726</td>
<td>30,330</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>30,349</td>
<td>35,743</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>18,524</td>
<td>27,499</td>
</tr>
<tr>
<td>Postage</td>
<td>14,351</td>
<td>14,904</td>
</tr>
<tr>
<td>Telephone</td>
<td>14,133</td>
<td>15,802</td>
</tr>
<tr>
<td>Office and other supplies</td>
<td>11,464</td>
<td>19,417</td>
</tr>
<tr>
<td>Lodging facility rental</td>
<td>—</td>
<td>961,043</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>29,324</td>
<td>22,411</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,530,101</td>
<td>2,346,975</td>
</tr>
<tr>
<td><strong>REVENUES OVER EXPENSES</strong></td>
<td>243,281</td>
<td>13,523</td>
</tr>
<tr>
<td><strong>FUND BALANCE, Beginning of year</strong></td>
<td>94,700</td>
<td>81,177</td>
</tr>
<tr>
<td><strong>FUND BALANCE, End of year</strong></td>
<td>$337,981</td>
<td>$94,700</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
Statements of Cash Flows for the Years Ended December 31, 1989 and 1988

<table>
<thead>
<tr>
<th></th>
<th>1989</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues over expenses</td>
<td>$243,281</td>
<td>$13,523</td>
</tr>
<tr>
<td>Adjustments to reconcile revenue over expenses to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>18,524</td>
<td>27,499</td>
</tr>
<tr>
<td>Increase (decrease) accrued annual leave</td>
<td>9,069</td>
<td>(3,257)</td>
</tr>
<tr>
<td>(Increase) decrease in accounts receivable</td>
<td>(6,425)</td>
<td>78,328</td>
</tr>
<tr>
<td>(Decrease) in accounts payable and accrued liabilities</td>
<td>(128,704)</td>
<td>(577)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>135,745</td>
<td>115,516</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from disposals of furniture and equipment</td>
<td>661</td>
<td>3,369</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td></td>
<td>(22,088)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>661</td>
<td>(18,719)</td>
</tr>
<tr>
<td>NET INCREASE IN CASH</td>
<td>136,406</td>
<td>96,797</td>
</tr>
<tr>
<td>CASH BALANCE, Beginning of year</td>
<td>145,389</td>
<td>48,592</td>
</tr>
<tr>
<td>CASH BALANCE, End of year</td>
<td>$281,795</td>
<td>$145,389</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements as of December 31, 1989 and 1988

(1) Organization and Purpose
The Federal Financial Institutions Examination Council (the “Council”) was established under Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The purpose of the Council is to prescribe uniform principles and standards for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions. The five agencies which are represented on the Council, referred to hereafter as member organizations, are as follows:

- Board of Governors of the Federal Reserve System
- Federal Deposit Insurance Corporation
- National Credit Union Administration
- Office of the Comptroller of the Currency
- Office of Thrift Supervision

(2) 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.

(3) 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 $259,780 in 1989 and $187,200 in 1988. The Board of Governors of the Federal Reserve System provided administrative support services to the Council at a cost of $30,300 for 1989 and $31,700 for 1988. Additional administrative support services were provided to the Council by the Federal Deposit Insurance Corporation at a cost of $4,000 for 1988.

Member organizations provide office space, data processing and printing services to the Council. The Council paid member organizations $585,700 in 1989 and $455,200 in 1988 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 the operating expenses it incurs for this project.

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

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

36 Board of Governors of the Federal Reserve System
37 Federal Deposit Insurance Corporation
38 National Credit Union Administration
39 Office of the Comptroller of the Currency
40 Office of Thrift Supervision
THE FEDERAL RESERVE SYSTEM DISTRICTS
COMPTROLLER OF THE CURRENCY DISTRICT ORGANIZATION

San Francisco District

Puerto Rico

Virgin Islands

New York District

Hawaii

Guam

San Francisco District

Alaska