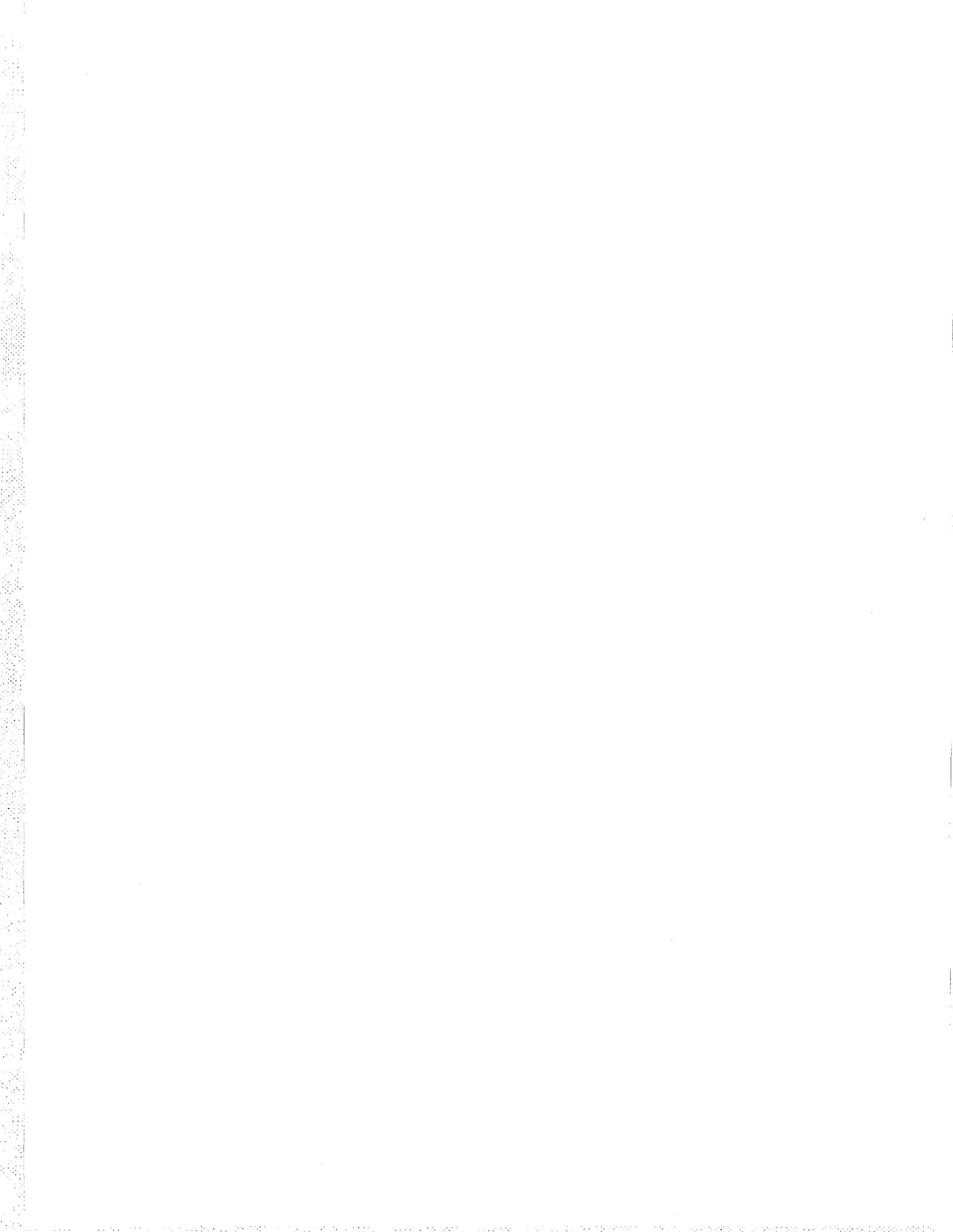




ANNUAL REPORT 1994



MEMBERS OF THE COUNCIL



Ricki Tigert Helfer, *Chairman*
Chairman
Federal Deposit Insurance Corporation



Jonathan L. Fiechter, *Vice Chairman*
Acting Director
Office of Thrift Supervision



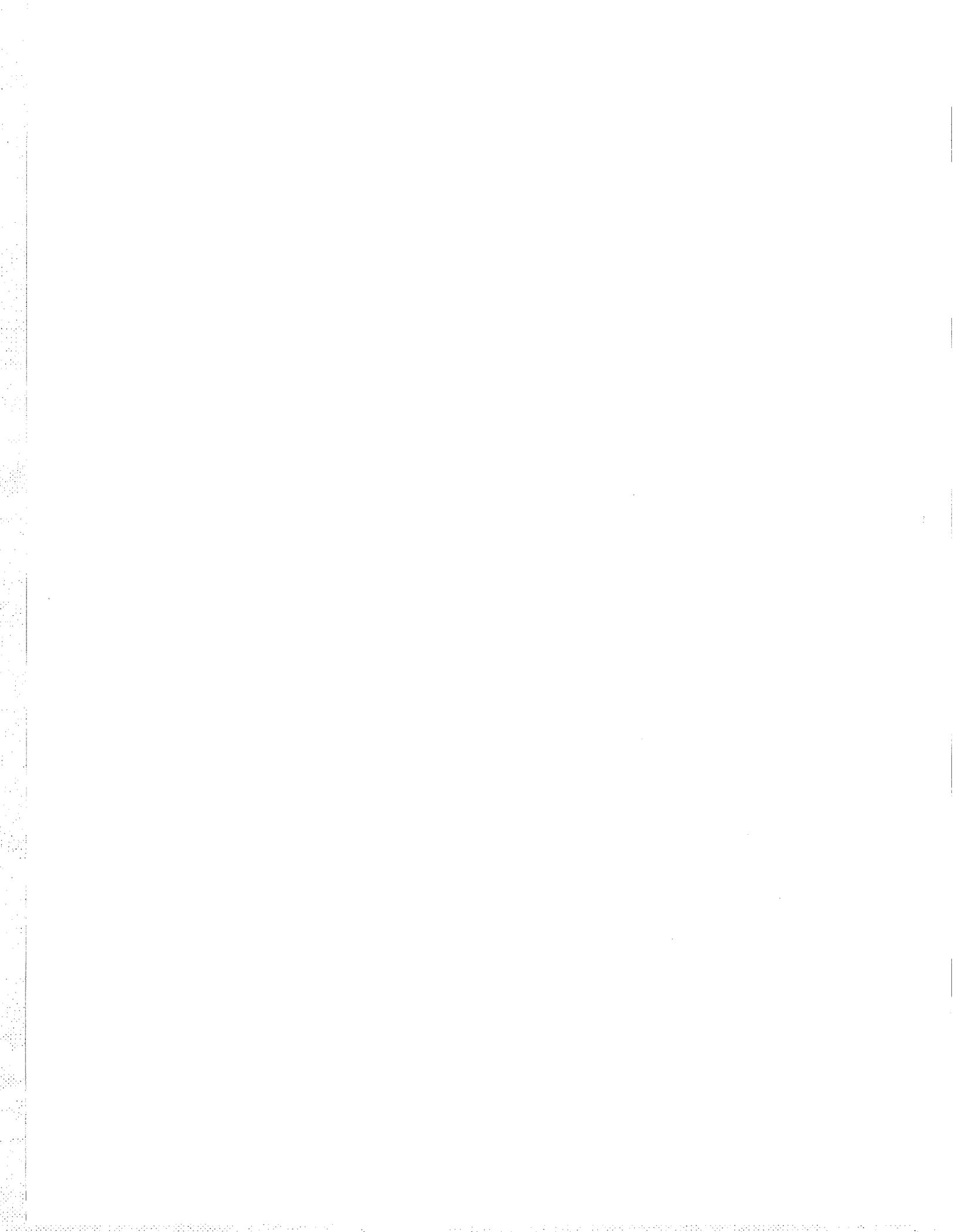
John P. LaWare
Member
Board of Governors of the
Federal Reserve System



Eugene A. Ludwig
Comptroller of the Currency
Office of the Comptroller of the Currency



Norman E. D'Amours
Chairman
National Credit Union Administration



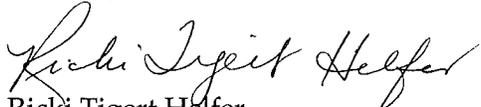
LETTER OF TRANSMITTAL

Federal Financial Institutions
Examination Council
Washington, DC
March 27, 1995

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

Pursuant to the provisions of section 1006(f) of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 USC 3305), I am pleased to submit the 1994 Annual Report of the Federal Financial Institutions Examination Council.

Sincerely,


Ricki Tigert Helfer
Chairman

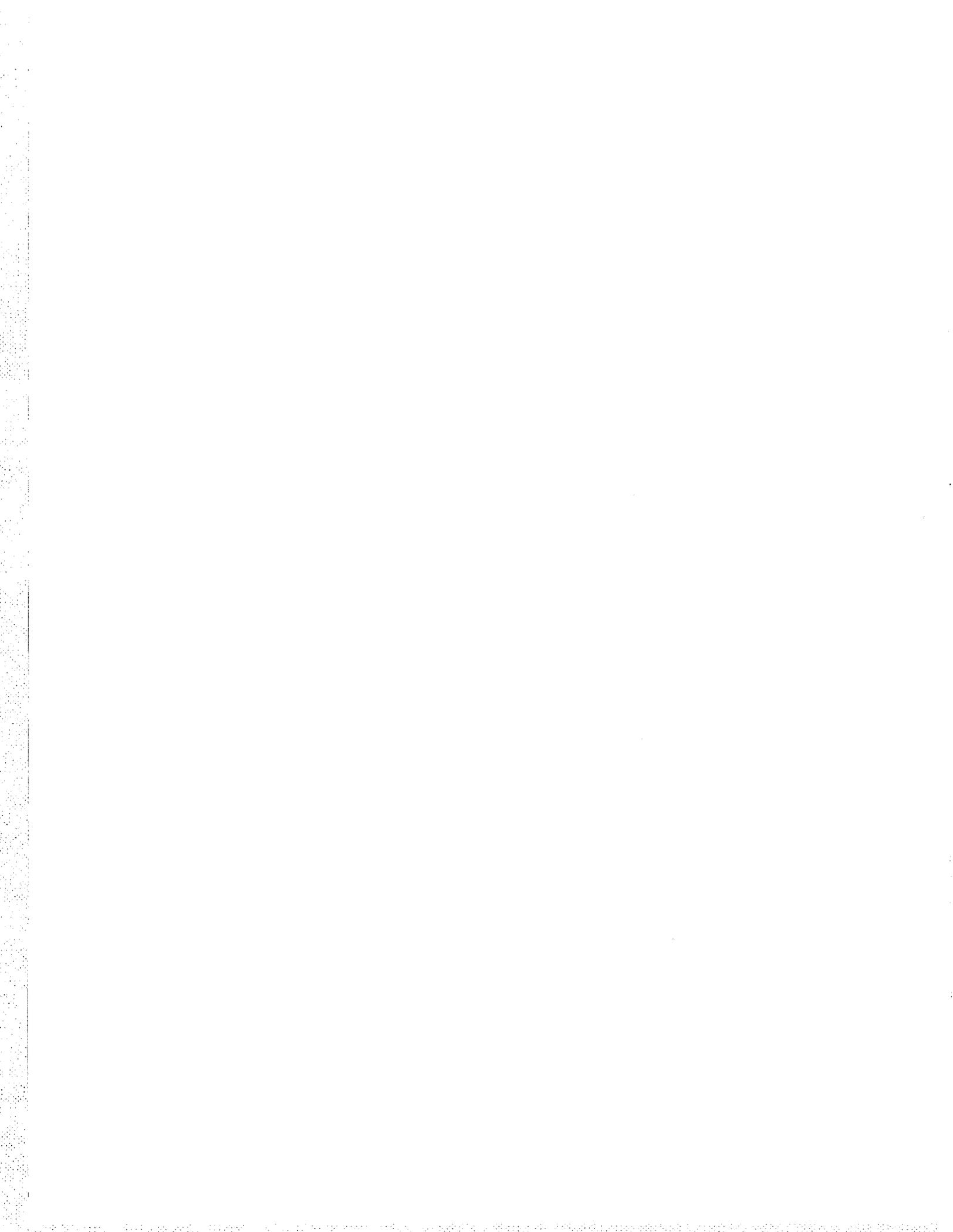


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MESSAGE FROM THE CHAIRMAN



Ricki Tigert Helfer

The Federal Financial Institutions Examination Council (FFIEC) completed another round of change in 1994, ending two years of organizational flux. On October 7, 1994, I was sworn in as the Federal Deposit Insurance Corporation's (FDIC's) sixteenth chairman, and I assumed the position of chair of the FFIEC shortly thereafter. Until that time, the Council had operated under the able direction of my colleague Andrew C. Hove, Vice Chairman of the FDIC.

The Council enjoyed some major successes in 1994, completing projects dealing with several financial accounting and reporting issues. Policy statements issued by the FFIEC pursuant to interpretations by the Financial Accounting Standards Board (FASB) addressed the accounting treatment of the following: deferred tax assets (FASB 109), problem loans and the allowance for loan and lease losses (FASB 114), and sales and classification of securities from financial institutions' portfolios (FASB 115). Supervisory guidance on these accounting issues will be reflected in both the calculation of risk-based capital ratios and revised reporting requirements in periodic reports filed with regulators.

I have asked that the staff members of the FFIEC strengthen examiner training for its constituent agencies by covering more sophisticated financial instruments, including derivatives, and to make certain that training in emerging issues regarding these instruments is thorough

and complete. In addition, I have ensured that we will have broader representation of state regulatory officials on the FFIEC's task forces charged with the implementation of the Riegle Community Development and Regulatory Improvement Act of 1994.

Another milestone was reached in 1994 with the successful completion of three fair lending training sessions for 795 senior management representatives from financial institutions throughout the United States. When paired with an additional 322 senior officers who attended the Council's seminars on risk management, 20 percent of the 5,800 attendees in FFIEC training classes were from financial institutions. This cross-fertilization of our training programs, in my judgment, should lead to better understanding on the part of the financial industry as well as examiners during examinations for safety and soundness and for compliance of all financial institutions.

I look forward to continued success in the work of the FFIEC in the coming year. The commitment and dedication of the staff members from the Council's constituent agencies and the State Liaison Committee ensure the highest quality on the broad range of supervisory and regulatory issues brought to the Council for coordination. I am proud to be a part of the efforts to ensure effective coordination among federal and state bank supervisors.



THE FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

The Federal Financial Institutions Examination Council (Council) was established on March 10, 1979, pursuant to title X of Public Law 95-630, the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). The purpose of title X, entitled the Federal Financial Institutions Examination Council Act of 1978, was to create a formal inter-agency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision and to make recommendations to promote uniformity in the supervision of financial institutions. The Council is also responsible for developing uniform reporting systems for federally supervised financial institutions, their holding companies, and the nonfinancial institution subsidiaries of those institutions and holding companies. It conducts schools for examiners employed by the five agencies represented on the Council and makes those schools available to employees of state agencies that supervise financial institutions. The overall intent of the legislation was that the Council promote consis-

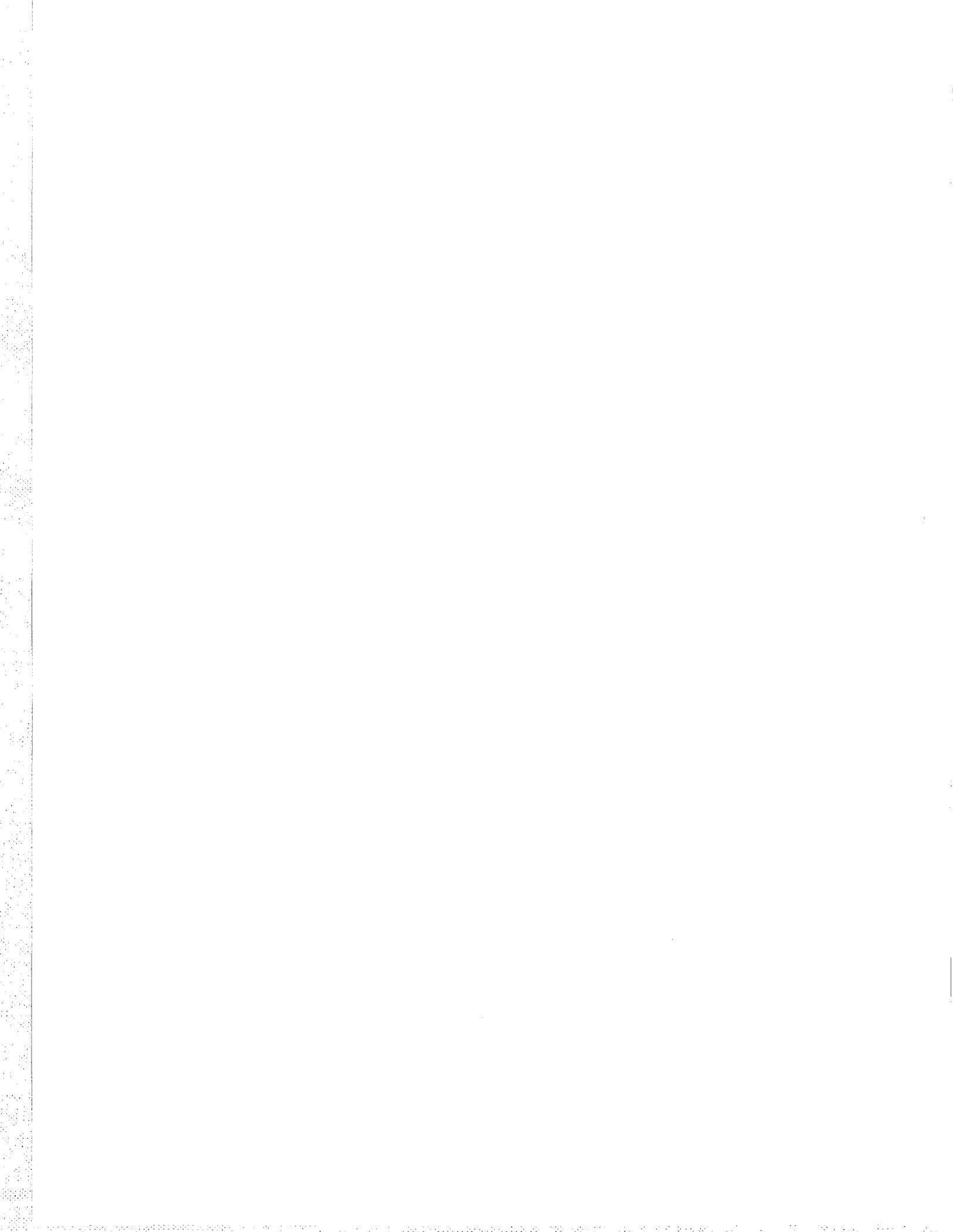
tency in federal examinations and progressive and vigilant supervision overall. Under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Council was also authorized also to develop and administer training seminars in risk management for the employees of the agencies 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 must 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 (1) monitoring the requirements, including a code of professional responsibility, established by states for the certification and licensing of individuals who are qualified to perform appraisals in connection

with federally related transactions; (2) monitoring the appraisal standards established by the federal financial institutions regulatory agencies and the Resolution Trust Corporation; (3) maintaining a national registry of appraisers who are certified and licensed by a state and who are also eligible to perform appraisals in federally related transactions; and (4) monitoring 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.



RECORD OF ACTIONS OF THE COUNCIL



The Examination Council in Session.

The following section is a chronological record of the official actions taken by the Federal Financial Institutions Examination Council during 1994 pursuant to sections 1006, 1007, and 1009A of Public Law 95-630 (Federal Financial Institutions Examination Council Act of 1978); section 304 of Public Law 94-200 (Home Mortgage Disclosure Act [HMDA]); and the Riegle Community Development and Regulatory Improvement Act of 1994.

February 14

Action. Unanimously approved the 1993 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 re-

port covering its activities during the preceding year.

March 9

Action. Unanimously approved publishing a request for public comment on issues arising from disclosure of off-balance-sheet derivative activities.

Explanation. The Council proposed to revise the information reported in certain off-balance-sheet activities in the Consolidated Reports of Condition and Income (Call Report). Off-balance-sheet items would be expanded to distinguish between the notional value data for futures, forwards, written options, purchased options, swaps, commodity and equity products, as well as for interest rate and foreign exchange contracts. In addition, banks

with more than \$100 million in assets would be required to report gross positive and negative fair values for interest rate, foreign exchange, commodity, and equity derivative contracts.

March 31

Action. Unanimously approved the appointment of Diana Garmus, Office of Thrift Supervision, as Chairperson of the Appraisal Subcommittee.

Explanation. Section 1104(a) of FIRREA states, "The Council shall select the Chairperson of the Subcommittee. The term of the Chairperson shall be 2 years." The subcommittee has six members, representing each of the Council member agencies and the Department of Housing and Urban Development.

March 31

Action. Unanimously approved the appointment of Catherine A. Ghiglieri, Texas Banking Commissioner, and James A. Hansen, Nebraska Director of the Department of Banking and Finance, to the State Liaison Committee for the period from May 1, 1994, to April 30, 1996.

Explanation. Under the Council's Rules of Operation, the Council directly appoints two of the five members of the State Liaison Committee to two-year terms. Ms. Ghiglieri and Mr. Hansen succeed James E. Gilleran, California Superintendent of Banks, and Sarah W. Hargrove, Pennsylvania Secretary of Banking, who completed their terms on the committee.

May 17

Action. Unanimously approved publishing a request for public comment on issues that had arisen from the adoption of Accounting Statement FAS 114, "Accounting by Creditors for Impairment of a Loan."

Explanation. As issued in 1993, the accounting statement contained specific provisions governing the recognition of income on impaired loans that differed from the existing regulatory nonaccrual policies.

August 8

Action. Unanimously approved an announcement to all insured banks and savings associations that deferred implementing certain bank reporting requirements proposed for the September 30, 1994, Call Report to the March 31, 1995, Call Report.

Explanation. On March 9, the Council issued a proposal to modify the reporting requirements for certain information related to derivative instruments in the bank Call Report. Since that time, the Financial Accounting Standards Board (FASB) published a proposed accounting statement on disclosures about derivative instruments. In an effort to reduce reporting burden and to categorize derivatives more uniformly under the FFIEC and FASB approaches, the Council chose to defer the effective date of the reporting requirements from September 30, 1994, to March 31, 1995.

September 29

Action. Unanimously approved proposed changes to the bank Call Reports for 1995.

Explanation. The Council approved a recommendation that the four federal banking agencies adopt revisions

to the Call Report effective March 31, 1995. The revisions include the following: (1) deletions of items in seven specified areas; (2) a reduction in the level of detail in one reporting area; (3) additional information to be collected on off-balance-sheet derivative financial instruments; (4) the addition of a line item to measure proprietary sales of mutual funds and annuities; and (5) instructional and clarification changes.

December 5

Action. Established a steering committee within the Council to organize and administer the provisions contained in the Riegle Community Development and Regulatory Improvement Act of 1994.

Explanation. The Council approved the appointment of a steering committee to specifically address the provisions of the Riegle Community Development and Regulatory Improvement Act of 1994, which assigns certain titles to the Council and its member agencies. The purpose of the steering committee is to provide overall coordination of actions accomplished within the Council as well as harmonize and coordinate actions taken by member agencies as the agencies individually pursue parallel assignments.

December 8

Action. Unanimously approved maintaining the June 30 annual reporting date for data collected in the Call Report on small business and small farm loans.

Explanation. Proposed changes to the Community Reinvestment Act require that data collected in the Call Report on small business and small farm loans be reported annually on December 31. Currently, data on small business and small farm loans are collected on June 30. The Council will seek data from the banking industry to discover the extent of the reporting burden to



Council discussion.

determine the feasibility of changing the data-gathering requirements.

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

Task Force on Consumer Compliance

- June 9—Approved for sale to the public, raw Home Mortgage Disclosure Act (HMDA) data and aggregate disclosure reports on CD-ROM.
- August 18—Approved for adoption by the Council member agencies revised examination procedures to reflect regulatory changes to the Real Estate Settlement Procedures Act.
- November 22—Approved for adoption by the Council member agencies examination procedures to reflect regulatory changes to

the Expedited Funds Availability Act.

Task Force on Reports

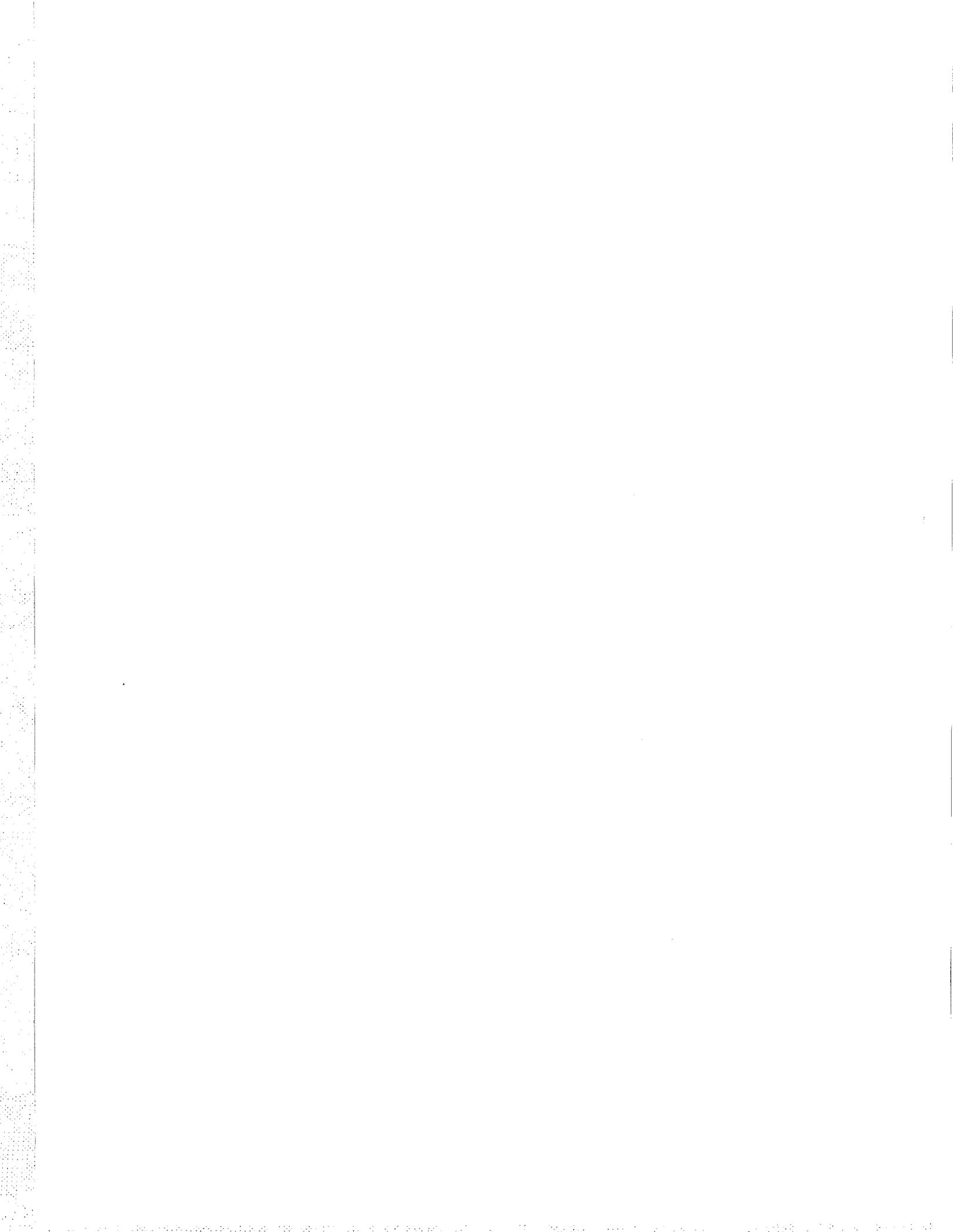
- December 22—Approved certain changes to the Report of Assets and Liabilities of U.S. Branches and Agencies (form FFIEC 002) for implementation in 1995. The changes include expanded disclosures about off-balance-sheet derivative activities.
- December 22—Approved certain minor revisions to the Country Exposure Report (form FFIEC 009) that take effect in 1995.

Task Force on Supervision

- April 12—Approved a letter to all insured banks and savings associations announcing an interim policy revision to the FFIEC Supervisory Policy Statement on

Securities Activities. This interim policy revision reconciled FFIEC policy guidance on mortgage derivative products and FAS 115 requirements.

- August 8—Approved an announcement to all insured banks and savings associations clarifying the treatment of nonhigh-risk mortgage securities in reports of condition and income and thrift financial reports.
- November 10—Completed the development of, and recommended that Council member agencies adopt, common supervisory guidance relating to accounting rules; FAS 109, "Accounting for Income Taxes;" FAS 114, "Accounting by Creditors for Impairment of a Loan;" and FAS 115, "Accounting for Certain Investments in Debt and Equity Securities."



STATE LIAISON COMMITTEE REPORT

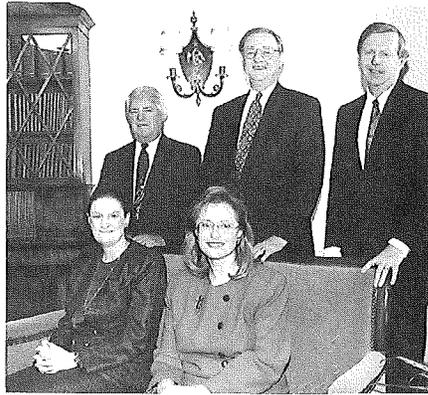
In section 1007 of Public Law 95-630, the Congress authorized the establishment of the State Liaison Committee (SLC) "to encourage the application of uniform examination principles and standards by state and federal supervisory agencies." The SLC carries out this responsibility by assuming an active 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 harmonize supervisory procedures.

The SLC believes that the Council can effectively coordinate activities among the federal agencies and between federal agencies and their state counterparts to economize on the combined state and federal resources devoted to the supervision and regulation of financial institutions.

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.

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 a two-year term extended by the



State Liaison Committee
Standing L-R: Harold Lee, Jr. (Chairman); James Hansen; Gavin Gee
Seated L-R: Sue Mecca, Catherine Ghiglieri

appointing organization for an additional, consecutive two-year term. Each year, the SLC elects one of its members to serve as chair for twelve months. Of the five members, two are selected by the Council. The other three are 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

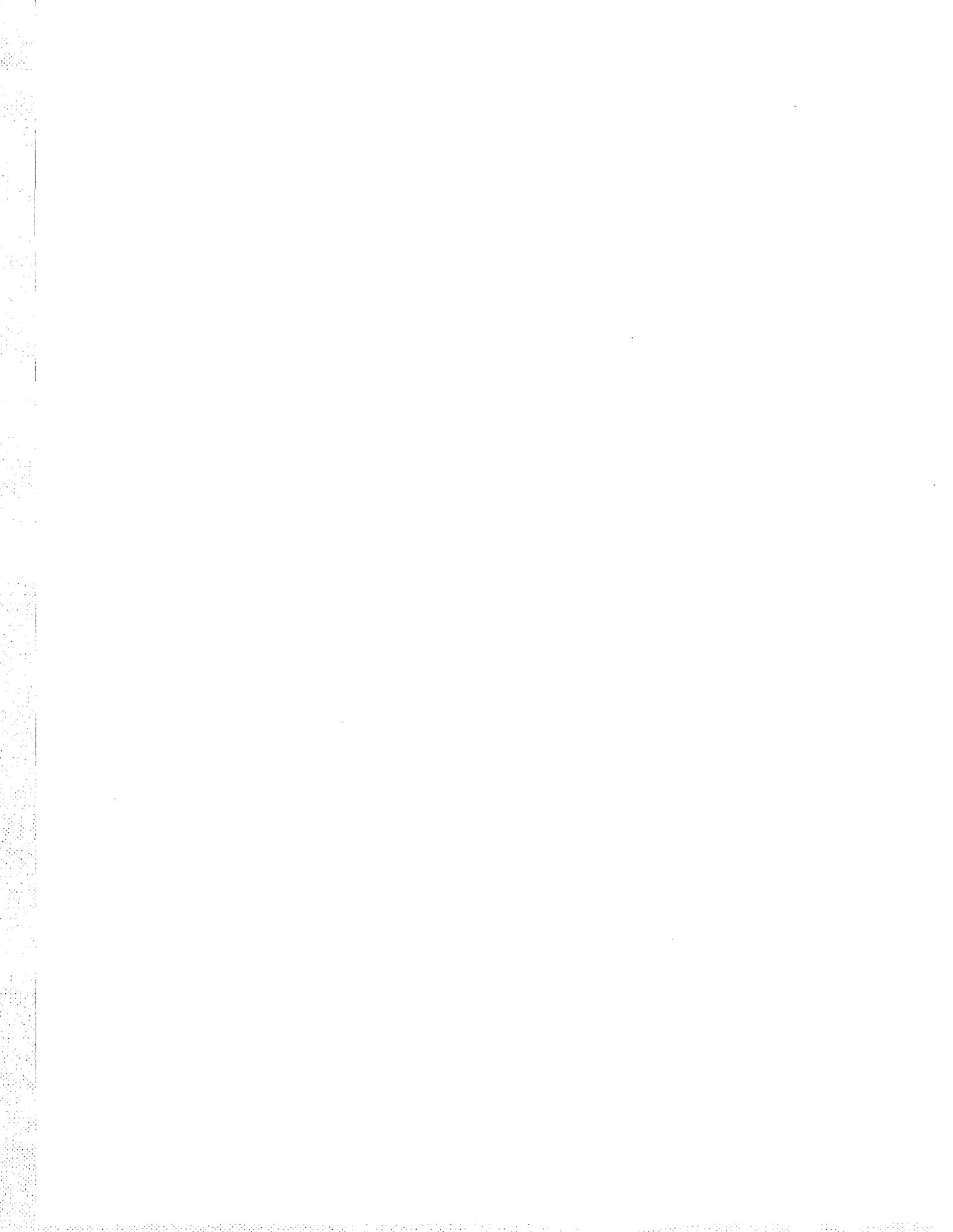
The SLC remained actively involved in the affairs of the Council during 1994, a year marked by a positive shift forward in state and federal supervisory relations. The SLC proved instrumental in assisting the Council in refocusing efforts to

bring important supervisory and regulatory issues before the Council. The SLC, in its advisory capacity, provides a second view of pending federal actions and regulations and, as such, has strongly urged that the Council bring issues and initiatives into the interagency forum where they may be debated and decided with appropriate state input.

The SLC participated in the discussion about proposed amendments to the Community Reinvestment Act (CRA). At the request of the SLC, interagency training as a result of CRA amendments will be open to state examiners as well as to their federal counterparts.

During the Council's discussion of the Community Development and Regulatory Improvement Act of 1994, the SLC made the case, and obtained Council approval, for the SLC to participate with the senior level steering committee appointed by the Council and charged with oversight in implementing the various provisions of the act. The SLC will also work directly with the working groups specifically tasked with the actual development of interagency actions delegated by the steering committee. This significant project is scheduled to begin in early 1995.

For the SLC, 1994 has proved to be a year of progress in fostering a strong joint state and federal regulatory relationship. Through the efforts of the SLC, and its constituent organizations, the Council has continued to move forward during a period of regulatory change.



ADMINISTRATION OF THE COUNCIL



Council Chairman Helfer and Executive Secretary Cleaver

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 derive from semi-annual assessments on its five constituent agencies. The Council also receives reimbursement for the services it provides to support preparation of the quarterly Uniform Bank Performance Report. It also receives tuition fees from non-agency attendees to cover some of the costs associated with its examiner-education program.

The Federal Reserve Board provides budget and accounting services to the Council and the Federal

Reserve's Controller serves as the Council's Controller. The Council is supported by a small full-time administrative staff in its operations office, and its examiner-education program is administered by Council staff located at its Examiner Training Facility in Arlington, 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 the following:

- Scheduling Council meetings, preparing agendas for Council meetings, preparing minutes of Council meetings, and reviewing all material for Council consideration
- Monitoring the work of all inter-agency staff groups involved in the Council's activities and helping staff groups set priorities and define key issues
- Undertaking special projects and studies as requested by the Council
- Working closely with members of the State Liaison Committee to ensure adequate communication among the members, the Council, and the interagency staff groups
- Coordinating public information activities, including preparation and distribution of Council press releases
- Maintaining liaison with the Congress and with federal departments and agencies

- Preparing the Council's annual report to the Congress
- Coordinating the production and distribution of the quarterly Uniform Bank Performance Report and related data
- Coordinating the collection, production, and distribution of Home Mortgage Disclosure Act data
- Managing the Council's examiner-education program.

Five interagency staff task forces and the Legal Advisory Group (LAG) provide most of the staff support in the substantive areas of concern to the Council. The task forces and the LAG are responsible for the research and other investigative work done by agency staff members on behalf of the Council and for reports and policy recommendations prepared for consideration by the Council. In addition, the Council has established the Agency Liaison Group, an interagency group of senior officials responsible for the overall coordination of efforts by their respective agencies' staff members in support of the Council. The Executive Secretary of the Council is an ex officio member 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 1994 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 1994 would have been impossible.

Organization, December 31, 1994

Members of the Council

Ricki Tigert Helfer, *Chair*
Chairman
Federal Deposit Insurance
Corporation (FDIC)

Jonathan L. Fiechter, *Vice Chairman*
Acting Director
Office of Thrift Supervision (OTS)

Norman E. D'Amours
Chairman
National Credit Union
Administration (NCUA)

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

Eugene A. Ludwig
Comptroller of the Currency
Office of Comptroller of the
Currency (OCC)

State Liaison Committee

Harold N. Lee, Jr., *Chairman*
Commissioner, Office of
Commissioner of Savings and
Loan
Wisconsin

Gavin M. Gee
Bureau Chief, Financial
Institutions Bureau
Idaho

Catherine A. Ghiglieri
Banking Commissioner
Texas

James A. Hansen
Director of Banking and Finance
Nebraska

Sue E. Mecca
State Banking Commissioner
Wyoming

Council Staff Officers

Joe M. Cleaver,
Executive Secretary

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

Interagency Staff Groups

Agency Liaison Group

Susan F. Krause (OCC)
Lee Lassiter (OTS)
David M. Marquis (NCUA)
John W. Stone (FDIC)
Frederick M. Struble (FRB)

Legal Advisory Group

Douglas H. Jones, *Chairman* (FDIC)
Robert M. Fenner (NCUA)
Carolyn B. Lieberman (OTS)
J. Virgil Mattingly (FRB)
Robert B. Serino (OCC)

Consumer Compliance Task Force

Timothy R. Burniston, *Chairman*
(OTS)
Stephen M. Cross (OCC)
Glenn E. Loney (FRB)
Janice M. Smith (FDIC)
Jodee J. Wuerker (NCUA)

Examiner Education Task Force

Georgia S. Smith, *Chair* (FDIC)
Paul Barsnica (OCC)
Martin F. Kushner (NCUA)
David Smith (OTS)
Sidney M. Sussan (FRB)

Reports Task Force

Robert F. Storch, *Chairman* (FDIC)
Gary H. Christensen (OCC)
Phillip R. Crider (NCUA)
Gerald A. Edwards (FRB)
David H. Martens (OTS)

Supervision Task Force

Susan F. Krause, *Chair* (OCC)
Kent D. Buckham (NCUA)
Stanley J. Poling (FDIC)
John C. Price, Jr. (OTS)
Richard Spillenkothen (FRB)

Surveillance Systems Task Force

Jack P. Jennings, *Chairman* (FRB)
Richard W. Jones (FDIC)
Kenneth Meadows (OCC)
Renee Valliere (NCUA)
Nancy A. Wentzler (OTS)

**Members of the Appraisal
Subcommittee**

Diana L. Garmus, *Chair* (OTS)
Morris Carter (HUD)
Robert F. Mialovich (FDIC)
Rhoger H Pugh (FRB)
Herbert S. Yolles (NCUA)
P. Michael Yuenger (OCC)

ACTIVITIES OF THE INTERAGENCY STAFF GROUPS

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

- Establish uniform principles, standards, and report forms for the examination of financial institutions and make recommendations for uniformity in other supervisory matters
- Develop uniform reporting systems for federally supervised institutions, their holding companies, and subsidiaries of those institutions and holding companies
- 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 effectively administer projects in all of those functional areas, the Council established five interagency staff task forces, each of which includes one senior official from each agency:

- Consumer Compliance
- Examiner Education
- Reports
- Supervision
- Surveillance Systems.

The Council also established the 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 that the Council addresses.

Task Force on Consumer Compliance

The Task Force on Consumer Compliance promotes policy coordina-

tion and uniform enforcement of consumer laws by the five agencies represented on the Council. It consists of senior personnel who are knowledgeable in consumer compliance matters. The task force identifies and studies problems concerning consumer compliance and promotes uniformity in the 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 insured depository institutions. The task force also addresses other legislation, regulations, or policies at the state and federal levels that potentially affect agencies' consumer compliance responsibilities. The three standing subcommittees of the task force are the CRA Subcommittee, the HMDA Subcommittee, and the Examination Procedures Subcommittee. Each of these subcommittees was engaged in several projects during 1994 that furthered the primary responsibilities of the task force.

CRA Subcommittee

The CRA Subcommittee provides policy guidance to the task force on issues associated with the agencies' implementation of the CRA. The subcommittee was charged with the task of developing new examination procedures that will be used to implement new interagency CRA regulations being developed as part of President Clinton's CRA Reform Initiative. The subcommittee has worked closely with the task force and the interagency team that is directing the CRA reform effort and has developed a working draft that can easily be put in final form once the new regulations are adopted.

The subcommittee has also developed draft examination procedures that the agencies can use to bridge the period between the issuance of the new regulations and their effective date. The subcommittee will continue its work on both sets of procedures in tandem with the rule writing effort.

During 1995, the talents of the subcommittee will be called upon to help the agencies conduct training sessions for compliance examiners on the new procedures and to develop policy and interpretive guidance for the task force on examination issues arising from the implementation of the new regulation.

HMDA Subcommittee

The HMDA Subcommittee supervises the collection of HMDA data reported to the agencies and aggregated by the Council. During 1994, the Council processed approximately 15.4 million records of loans and applications—28 percent more than the number processed in 1993. In addition, the subcommittee was instrumental in streamlining the production schedule for processing next year's HMDA data so that the data may be available much sooner than in previous years.

The HMDA Subcommittee expects in 1995 to distribute Council guidelines for central depositories of HMDA data, located in each metropolitan statistical area, that will promote public accessibility to the data and increased use of modern technology such as CD-ROM. The subcommittee will also provide guidance to the task force on improving the HMDA examination procedures to reflect interagency suggestions for improving data quality.

Examination Procedures Subcommittee

The Examination Procedures Subcommittee is responsible for maintaining updated interagency examination procedures for several laws and regulations on compliance and consumer protection. In 1994 the subcommittee developed revised examination procedures to reflect regulatory changes to the Real Estate Settlement Procedures Act and the Expedited Funds Availability Act. These revised procedures were approved by the task force for adoption by the member agencies.

During 1995, the subcommittee will be working on revisions to the examination procedures for the Fair Credit Reporting Act, Home Mortgage Disclosure Act, Electronic Funds Transfer Act, and the Flood Disaster Protection Act. These revisions are necessitated by legislative or regulatory amendments.

Fair Lending Seminars for Chief Executive Officers

Under the auspices of the Council, the task force sponsored three fair lending seminars for chief executive officers of financial institutions. These seminars—held in Washington, D.C., Chicago, and San Francisco—were very well received by the industry and were attended by nearly 795 senior executives. The seminars provided a forum for learning more about current issues regarding the fair lending laws. Leaders from the agencies, key agency staff, representatives from the Department of Justice and the Department of Housing and Urban Development, and industry experts made presentations. Given the success of this effort and the industry's responsiveness to it, the task force will consider hosting industry seminars on CRA during 1995 once the interagency reform effort is completed.

Release of HMDA Data on CD-ROM

Finally, the task force approved the sale to the public of nationwide raw HMDA data and aggregate disclosure reports on CD-ROM. This delivery vehicle will promote public access to the data in a reasonably priced format.

Task Force on Examiner Education

The purpose of the interagency training program is to provide high-quality training that fosters uniformity among examiners of different agencies. Courses and conferences, which are developed and overseen by interagency working groups, include the expertise and opinions of numerous specialists. All programs are produced under the guidance of the interagency Task Force on Examiner Education.

The Council also offers banker outreach programs. Since 1990, eleven Risk Management Planning seminars have been offered to the banking and thrift community. The goal of the seminars is to encourage financial institutions to improve their risk management systems. Special emphasis is placed on coordinating risk management bankwide. The target audience is the chief executive officer, other executive officers, and board members. Some senior examiners also attend, and they find the seminars to be an excellent forum in which to share training with bankers. For more detail, see the section Program Initiatives.

In 1994, the task force conducted three fair lending seminars in cooperation with the FFIEC Task Force on Consumer Compliance. The purpose of these one-day seminars was to encourage financial institutions to strengthen their efforts to include more minorities in loan programs. For more detail, see the section Program Initiatives.

The Council develops and offers various conferences and courses aimed at examiners of financial institutions and other agency staff members. Conferences enable examiners to better understand the banking innovations they encounter and to keep abreast of legal and regulatory changes. Workshops aid in transferring skills needed by examiners. The programs are open to state and foreign financial institution examiners. Although state examiners generally register through a member agency, they may register directly with the Council. Staff members from the Farm Credit Administration and, occasionally, from the Secret Service and the Treasury Department also attend the programs.

Since its inception in 1979, the Council has provided training for 44,864 students. In recent years, the Council's training volume has ranged from 4,000 to 5,000 students each year. During 1994, a curriculum of nineteen courses and conferences was available.

The cadre of instructors consists of examiners and other staff members from the member agencies, the states, and other participating agencies. Industry specialists serve as guest speakers in many of the programs. Interagency course development committees provide guidance on the selection of topics and guest speakers.

The goals of the training program are the following:

- To foster uniformity of examiner education through joint sponsorship of interagency training
- To develop and offer high-quality courses, seminars, and conferences that meet the needs of financial institution examiners
- To provide training opportunities for state and foreign supervisory agencies of financial institutions
- To promote efficient training by eliminating duplication when agencies' training needs coincide

- To provide banker outreach programs upon the request of the Council.

Programs are produced on a cooperative basis. When many agencies are involved, the pool of potential instructors is larger, the selection of the appropriate specialist is easier, and the quality of instruction is greatly enhanced. A large pool of instructors also reduces the teaching burden on an individual agency. An agency with little expertise in a new, specialized area has quick and inexpensive access to the needed training. Several courses and conferences are offered numerous times during the year. The frequency of the offerings makes scheduling individual examiners for training easier. It also provides a choice of session dates so that the examiner will not be absent from an examination at a critical time.

Costs

Offering one course for several agencies is often less costly than each agency's developing and conducting courses on the same subject. Participating agencies provide instructors free of charge and in proportion to their enrollment, and thus keep costs low. Each agency provides financial support for the school in proportion to its planned utilization. This enrollment-based, cost-sharing plan is used in lieu of a stated rate of tuition.

For 1994, the average training cost was approximately \$229 per attendee. State financial institution supervisors paid a rate based on the estimated agency cost. Attendees from agencies other than those of the states and the members of the Council paid \$350 for each course attendee and \$450 for each conference attendee. At the end of the fiscal year a budgetary surplus was credited to the member agencies.

Facilities

In April 1991, the Council's training staff began its operations in the FDIC facility near the Virginia

Square Metro Station in Arlington, Virginia. This facility offers convenient access to a 100-seat auditorium and to lodging. The Council leases its office and classroom space at market rates.

Regional programs are usually conducted in the cities in which District or Reserve Bank offices of the member agencies are located. When class size permits, courses are conducted in agency facilities at no cost to the Council.

Program Initiatives

Fair Lending Seminars for Chief Executive Officers

During 1994, the Council's training office assisted the Task Force on Consumer Compliance in conducting three fair lending seminars for chief executive officers of financial institutions. A total of 795 bankers attended these seminars, which were held in Washington, D.C., Chicago, and San Francisco. The goal of the seminars was to educate top management of financial institutions regarding the need for improved methods of ensuring fair lending and compliance with regulations. The speakers included top officials of FFIEC member agencies, the Department of Housing and Urban Development, the Department of Justice, and the Federal National Mortgage Association. A panel of leading bankers presented ideas on improving fair lending efforts. The programs were well regarded, and the Council received numerous requests for additional sessions.

Risk Management Training for Industry Executives

In response to section 1218 of FIRREA, the Council conducted two seminars for bankers in 1994 on risk management planning.

These seminars were aimed primarily at chief executive officers of insured financial institutions but

Training Sponsored by the FFIEC: Number of Sessions and Total Enrollment, 1979-94

Year	Number of Sessions	Total Enrollment
Examiner Programs		
1979	6	120
1980	62	1,350
1981	85	1,702
1982	83	1,622
1983	88	1,816
1984	80	1,799
1985	81	1,842
1986	102	2,296
1987	126	3,446
1988	107	3,174
1989	90	2,784
1990	110	3,780
1991	84	3,153
1992	85	4,143
1993	88	4,315
1994	96	4,560
Total	1,373	41,902
Banker Outreach Programs		
Risk Management Planning		
1990	1	Bankers 110 Examiners 0
1991	3	Bankers 411 Examiners 17
1992	3	Bankers 637 Examiners 53
1993	2	Bankers 406 Examiners 63
1994	2	Bankers 332 Examiners 138
Total	1,384	44,069
Fair Lending Seminar		
1994	3	Bankers 795 Examiners 0
Cumulative Total		
1979-94	1,387	44,864

they were also open to senior examiners. The seminars had three goals:

- To encourage top management to evaluate its present risk management systems and make improvements if needed
- To provide a conceptual framework in which financial institutions can develop a systematic approach to managing risk bankwide
- To encourage full dialogue between executive management and the board of directors regarding their institution's system of managing risks.

Although topics changed somewhat from session to session, the following areas were discussed:

- The Risk Management Process: Identifying, Assessing, and Controlling Risk
- Risk Return Analysis of Bank Products

- Risk of Fraud and Insider Abuse
- Credit Risk Management
- Managing Securities Risks
- Risks of Derivative Products
- Credit Risk and Loan Documentation
- Creating a Risk Management Organization

During 1994, seminars were held in Houston and New York City. A total of 322 senior bank executives attended these seminars. For 1995, sessions are planned in Orlando and Seattle.

The New York City session of Risk Management Planning addressed the latest practices in risk management. The session emphasized the new information systems for risk management and the measuring and pricing of the risk component of bank products, especially loans.

This year, specialization increased, and conferences were better targeted. For example, an Emerging

Issue Conference for Multinational Examiners was offered as well as several sessions called Emerging Issues—Community and Regional, which were aimed at examiners of smaller institutions.

International Banking Curriculum

The final phase in revising this curriculum was completed when the Basic International Banking Self-Study Course was revised. The self-study course is a cost-saving substitute for classroom training. One hundred of these self-contained courses were provided to the member agencies in 1994. The International Banking School was also revised and updated during the year.

Courses Offered in 1994

Electronic Data Processing (EDP) Symposium

The EDP Symposium is a weeklong meeting of senior data-processing

Number of Attendees at FFIEC Courses by Agency, 1994

Course	FDIC	OTS	FRB	NCUA	OCC	FCA	Other	Total
EDP Symposium	...	2	3	...	3	1	...	9
Emerging Issues	193	4	155	...	293	10	...	655
Emerging Issues Multinational	11	...	58	...	79	...	...	148
Income Property Lending	240	22	89	1	154	10	...	516
Information Systems & Technology	12	15	57	...	63	5	4	156
Instructor Training	65	2	113	...	84	...	...	264
International Banking Conference	12	...	53	...	44	1	...	110
International Banking School	34	...	144	...	24	2	3	207
Basic International Self-Study Management Workshop	80	...	79	...	...	...	...	159
Management Workshop	360	20	27	4	118	6	1	536
Off-Balance-Sheet Risk	261	12	111	20	153	25	...	582
Off-Balance-Sheet Capital Markets	13	...	79	...	49	5	2	148
Payments Systems Risk	68	...	116	18	26	...	...	228
Testifying	19	2	6	...	31	...	1	59
Trust	9	8	45	...	96	...	8	166
White Collar Crime	340	11	130	18	102	6	10	617
Subtotal	1,717	98	1,265	61	1,319	71	29	4,560
Risk Management	2	2	22	...	98	14	...	138
Total Agency Training	1,719	100	1,287	61	1,417	85	29	4,698

examiners who address an emerging area of supervisory concern chosen by the EDP Subcommittee of the Task Force on Supervision. The symposium is not a course in the usual sense: The primary flow of information is from the participants to the course leaders. During the week, participants develop and refine a consensus report. The report is submitted to the Task Force on Supervision, which weighs its possible effects on examination policies and procedures. Attendance at each session is limited to twelve leading EDP examiners. The 1994 session developed a report, *Recommendations for Policies and Procedures to Address Issues Related to Client Server Technologies*.

Instructor Training

This weeklong course prepares examiners to teach in agency and Council schools. Participants plan and give three presentations during the week. Some of these presentations are videotaped for critical review. The course provides guidance in instructional techniques, lesson planning, and use of audiovisual aids. All potential instructors for Council schools who have no teaching experience must take this course before beginning to teach. Sixteen sessions were conducted during the year.

Management Workshop

This workshop is a one-week, general skill-building course designed to strengthen and expand the practical application of basic management concepts. Attendees bring assessments of their skills, completed by themselves and by colleagues or subordinates, and administer self-assessment questionnaires in class. These assessments are scored and evaluated on scales that show each attendee's management ability and style. Basic concepts are presented through lectures, videotapes, and small group discussions. The desired results for each manager are a better perception of oneself as a

manager, increased knowledge of good management techniques, and improved management practices. As a prerequisite, participants should have between three and ten years' examining experience. Twenty-four sessions, including regional ones, were held in 1994.

Testifying

This workshop is designed for commissioned examiners who are likely to testify at a hearing or a trial in the foreseeable future. Only those who are scheduled to testify imminently are encouraged to attend. Attorneys who role-play as prosecutors, defense counsel, and judges conduct a mock trial of an actual case. Instructors report that they also benefit from participating in the course. Examiners review their testimony by videotape and receive critiques from trial attorneys. The Department of Justice provided many of the attorney instructors. In 1994, the highlight of many sessions was a summary meeting in the chambers of the Honorable Stanley Sporkin, U.S. District Judge for the District of Columbia. Three sessions are planned for 1995.

Conferences

Emerging Issues

This conference, aimed at senior examiners, provides authoritative analysis of contemporary and emerging technical issues confronting the regulatory and banking communities. Many field office managers attend. The first two sessions were offered in 1992. In 1993 two versions of the conference were available, one for examiners of multinational and superregional institutions and the other for examiners of community and regional institutions. Eleven sessions of the 4½-day conference will be conducted in 1995. The topics will include the following:

- A Banker's View of Emerging Issues

- FASB 114 and 115
- Mutual Funds
- Environmental Issues Update
- Mortgage-Servicing Rights
- Fair Lending and CRA
- Derivatives
- Where Is the Economy Headed?
- Annuities
- Update on Interest Rate Risk Management
- Evaluating the Newly Merged Institution
- Globalization of White Collar Crime
- Structured Notes

Income Property Lending

This conference provides examiners with the skills needed to assess the assumptions built into real estate market studies, feasibility studies, and appraisals. It emphasizes appraisal analysis, construction lending, construction loan disbursements, workout situations, and problem solving. Topics change from time to time, however, sessions frequently include real estate law and environmental issues. The conference is open only to commissioned examiners who are considerably involved with commercial real estate lending. Although conference length may vary, it is generally 3½-days. A prerequisite for the conference is a basic course in real estate finance or appraisal.

Information Systems and Technology

The Information Systems and Technology conference updates senior data-processing examiners on current developments in data processing, software, systems development, security controls, telecommunications, networks, auditing, computer fraud, switches, data center operations, and many other topics. The conference features guest speakers who are recognized authorities in

their fields. The EDP Subcommittee of the Task Force on Supervision provides guidance for selecting topics and speakers. Topics vary from session to session. One session was conducted in 1994, and another will be conducted in 1995.

International Banking

The International Banking conference is a two-day, advanced program dealing with international credit, legislative and regulatory issues, and recent international banking innovations. Speakers are leading international bankers and senior staff members of the banking regulatory agencies. The conference is designed for those specialized examiners who have ongoing responsibilities in international banking or finance. This conference will be held again in 1996.

Off-Balance-Sheet Risk

This conference improves examiners' understanding of the incentives and risks of financial institutions' off-balance-sheet activities. Risk assessment of standby letters of credit, loan commitments, financial futures and options, foreign

exchange, interest rate swaps, structured notes, and a wide range of other capital markets products are emphasized. In 1994, besides the seven regular programs, two conferences on off-balance-sheet risk with emphasis on capital markets were conducted. The first advanced program was held in New York City.

Capital Markets Training (under development)

In December 1994, work was begun to increase again the attention given to derivative instruments. The Task Force authorized formation of an FFIEC Capital Markets Development Group with representation from all five member agencies. The purpose of the group is to enhance FFIEC training in capital markets instruments and especially derivatives. Its first order of business will be to upgrade the seminar Off-Balance-Sheet Risk with Emphasis on Capital Markets. Training in derivatives is to be upgraded in all relevant FFIEC programs.

Payment Systems Risk

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 transfer, risks associated with daylight overdrafts, legal considerations, and potential insurance risks. This program has been extensively revised to incorporate all of the regulatory changes that went into effect on January 1, 1994. Some sessions of Payment Systems Risk are conducted immediately after an Off-Balance-Sheet Risk conference to facilitate attendance at both conferences.

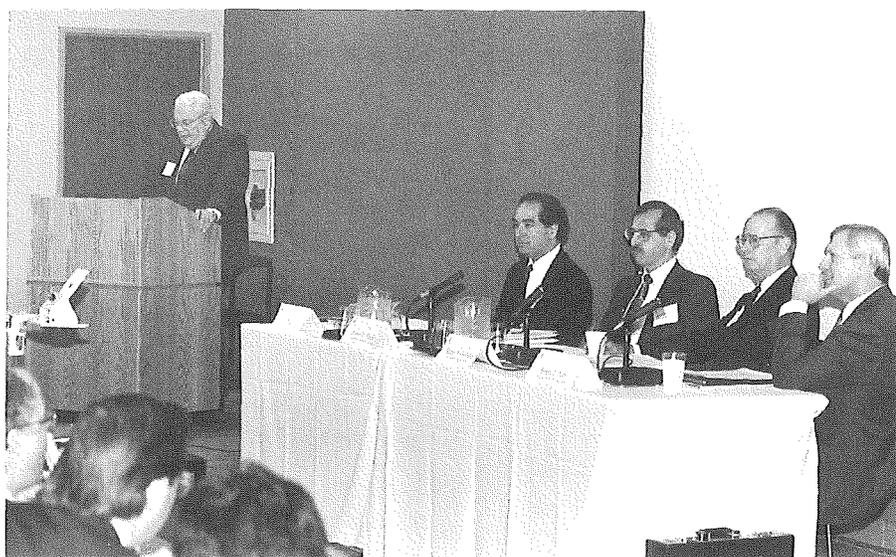
Trust

The Trust conference emphasizes new initiatives affecting trust banking. Topics vary from session to session, and the sessions feature guest speakers who are recognized leaders in the trust industry.

Attendance is limited to senior examination personnel who specialize in fiduciary activities. Topics covered in the 1994 session were fraud in the trust department, the prudent investor rule, portfolio and soft dollar transactions, fiduciary risks of irrevocable life insurance trusts, requirements of SAS 70 in issuing third-party reports, limited partnerships, mutual funds and investment advisors from Securities and Exchange Commission examination perspective, importance of and overview on regulation, fund administration, and controlling risk in corporate trust departments.

White Collar Crime

This one-week conference became an interagency project several years ago as a result of the agencies' increased emphasis on detection of fraud and insider abuse. Although the conference is generally attended by senior examiners, it is open to any examiner with at least two years' examining experience. It covers major types of fraudulent activ-



International Banking Conference, March 29, 1994. At the podium: Governor John P. LaWare. Seated left to right: Joseph J. Scciortino, Board of Governors, FRS; Earnest Patrikis, Federal Reserve Bank of New York; Robert T. Parry, Federal Reserve Bank of San Francisco; and Robert P. Forrestal, Federal Reserve Bank of Atlanta.

ity and insider abuse, including real estate fraud, investment securities fraud, computer fraud, and money laundering and the Bank Secrecy Act. Detection and investigation techniques are stressed. Red flags signaling institutional and individual types of fraud are discussed. Each attendee gains familiarity with the relevant criminal statutes as well as the preservation of evidence, interviewing, testifying, and the prevention of fraud. Numerous sessions are conducted each year, and three regional sessions were conducted in 1994.

Course Catalogue and Schedule

A course catalogue and schedule are available from the Council's training office:

FFIEC Examiner Education
3501 Fairfax Drive
Room 3086
Arlington, VA 22226-3550
Phone: (703) 516-5588

Task Force on Reports

Section 1006(c) of Public Law 95-630 requires that the Council 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 received other responsibilities related to the development of inter-agency uniformity in the reporting of periodic information needed for effective supervision. The task force is thus concerned with such issues as the development and interpretation of reporting instructions; the application of accounting standards to specific transactions; the publication and distribution of reports; the development and application of processing standards; the monitoring of data quality; the assessment of reporting burden; and the liaison with other organizations, including the Securities and Exchange Commission, the Financial Accounting

Standards Board (FASB), 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 help the task force carry out its responsibilities, working groups are organized as needed to handle accounting, reporting, instructional, and processing matters of a specialized or technical nature.

Activities of the Task Force

During 1994, the task force's activities continued to be focused primarily on the Call Report, both with respect to the information collected in the report and the instructions for its preparation. The Call Report is filed by insured commercial banks and by FDIC-supervised savings banks. The task force, in conjunction with the Task Force on Supervision, also considered certain implementation issues that had arisen from a new accounting standard on loan impairment and their effect on the regulatory agencies' supervisory policies and reporting requirements.

After approval by the U.S. Office of Management and Budget (OMB), several revisions to and clarifications of the Call Report requirements took effect in the first and second quarters of 1994. Corresponding changes were made to the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (form FFIEC 002). Several first-quarter changes to the Call Report and form FFIEC 002 resulted from a new standard governing the accounting for investments in debt and equity securities, FASB Statement No. 115, which banks and U.S. branches and agencies were required to adopt in 1994. Other Call Report revisions were intended to identify the extent of bank involvement in the sale of mutual funds and annuities and the amount of income derived from these nondeposit investment products. The Office of Thrift Supervision decided to collect the same informa-

tion on mutual funds and annuities from insured savings associations.

As a first step toward improved Call Report disclosures about interest rate, foreign exchange rate, and other commodity and equity contracts, larger banks began to provide limited, additional data pertaining to these so-called off-balance-sheet "derivative" contracts as of March 31, 1994. New Call Report items were also introduced for trading liabilities and for the original maturities of other borrowed money. In addition, banks were permitted, on an interim basis, to offset balance sheet amounts associated with off-balance-sheet derivative contracts in their Call Reports in accordance with FASB Interpretation No. 39 pending clarification by the FASB of an interpretive issue under Interpretation No. 39. (After clarification by the FASB staff in a November 1994 announcement, banks were advised that, for Call Report purposes, they should follow Interpretation No. 39, as clarified by that announcement, solely as it relates to these balance sheet amounts.)

Banks received detailed information about all of the new Call Report requirements and the related instructions in February 1994. Updated pages for the Call Report instruction books were distributed to banks with their first- and second-quarter 1994 Call Report forms.

The updated pages also included clarifications to the instructions for the Call Report's annual small business and small farm loan schedule that were made in response to issues that arose as institutions completed this reporting requirement for the first time as of June 30, 1993. Clarified instructions were also provided to savings associations and insured U.S. branches of foreign banks that are subject to the same annual reporting requirement.

When the Council approved the new Call Report derivatives disclosures for larger banks for the first quarter of 1994, it also directed the

task force to identify the additional Call Report disclosures about banks' use of off-balance-sheet derivatives that are needed for effective supervision of these activities. Based on input from an inter-agency derivatives working group, the task force submitted proposed Call Report changes to the Council in February 1994. The following month, the Council requested public comment on these proposed disclosures. The proposed changes included expanded data on the notional amounts of derivatives from all banks plus information on positive and negative fair values of derivatives from larger banks, both of which would start being collected on September 30, 1994. In addition, income-related information about derivatives would be reported by large banks beginning with the first quarter of 1995.

In response to information received during the public comment period, the Council decided in August 1994 to defer implementing of the derivatives disclosures proposed for the September 30, 1994, Call Report until March 31, 1995. The purpose of the deferral was to reduce the reporting burden on banks and allow them to make systems changes to support new reporting requirements in a more orderly, less costly fashion. Then, on September 29, 1994, after having considered the public comments on its proposal as well as a new disclosure standard for derivatives developed by the FASB, the Council approved a modified version of its Call Report derivatives proposal for implementation as of March 31, 1995. Also, in light of the four federal banking agencies' proposed risk-based capital amendments pertaining to bilateral netting agreements and the potential exposure of derivatives contracts, the Council approved related changes to the Call Report's risk-based capital schedule for the first quarter of 1995.

At its September 29, 1994, meeting, the Council approved several other

revisions to the Call Report requirements for the first quarter of 1995. These revisions include deletions of several existing Call Report items, such as items for total risk-based capital and average loans to states and political subdivisions, and a reduced level of detail regarding certain restructured loans and leases. Besides the new data on off-balance-sheet derivatives, banks will begin reporting the amortized cost and fair value of their holdings of non-high-risk mortgage securities and of structured notes in March 1995. Other new items relate to the use of pushdown accounting and certain reciprocal demand deposit balances. Several instructional changes and clarifications, particularly with respect to the reporting of investments in mortgage-backed securities, were also approved. To assist banks in planning for the 1995 Call Report changes, the Council notified the industry about these changes on November 1, 1994. The Office of Management and Budget must approve these revisions.

After the May 1993 issuance of a new accounting standard on loan impairment, FASB Statement No. 114, an interagency working group was established to assist the Task Forces on Supervision and Reports in addressing the supervisory and regulatory reporting implications of the standard that takes effect in 1995. These efforts led the Council to announce in May 1994 that it and the federal banking agencies were requiring that institutions adopt Statement No. 114 as of its effective date for regulatory reporting purposes, with early adoption permitted. The announcement also provided guidance on certain other supervisory and reporting matters related to the application of this new accounting standard.

In conjunction with the May 1994 announcements, the Council solicited public comment on two primary reporting issues and certain other matters pertaining to the implementation of Statement

No. 114. The first reporting issue dealt with whether allowances for credit losses established under Statement No. 114 should be considered general allowances or specific allowances (general allowances are eligible, subject to existing limits, for inclusion in Tier 2 regulatory capital and specific allowances are not). Because of supervisory policy implications, the Task Force on Supervision, acting under delegated authority, took final action on this issue in November 1994: It decided that the portion of an institution's allowance established under Statement No. 114 should be reported as part of the general allowance.

The second reporting issue on which the Council requested comment in May 1994 was whether existing regulatory nonaccrual policies should be retained. This issue arose because the original Statement No. 114 contained specific provisions governing the recognition of income on impaired loans that differed from the regulatory policies. In March 1994, FASB proposed to amend Statement No. 114 to eliminate these provisions and to allow creditors to use existing methods for income recognition. The Council considered the comments it received on this issue and the FASB's decision to adopt its proposed amendment to Statement No. 114 and on September 29, 1994, voted to retain the current regulatory nonaccrual rules as recommended by the Task Force on Reports. The Council also concluded that the information currently collected about impaired loans is adequate to meet the agencies' supervisory needs. Accordingly, the Council decided not to add any items pertaining to loan impairment to the regulatory reports filed by institutions supervised by the four federal banking agencies.

In August 1994, the Council issued a letter to insured banks and savings associations clarifying the regulatory reporting treatment under FASB Statement No. 115 of

mortgage derivative products deemed "nonhigh-risk" under the Council's Supervisory Policy Statement on Securities Activities. Institutions that have the positive intent and ability to hold to maturity nonhigh-risk mortgage securities were advised that they may include such securities in the held-to-maturity category on their regulatory reports when the criteria in Statement No. 115 are met.

In September 1994, the Task Force on Supervision referred a proposed trust income schedule to the Task Force on Reports for its technical review and for the solicitation of informal industry comments through the Inter-Association Committee on Bank Accounting. The proposed schedule would be an addition to the Annual Report of Trust Assets (form FFIEC 001) and would be applicable only to depository institutions with larger trust departments and to nondeposit trust companies. The information reported on the schedule would, among other uses, enable the four federal banking agencies to monitor trust income and losses between trust examinations of reporting organizations. The Task Force on Reports submitted its findings and technical recommendations concerning the proposed schedule to the Task Force on Supervision in December 1994.

Finally, in December 1994, the task force, acting under delegated authority, approved certain changes to the Report of Assets and Liabilities of U.S. Branches and Agencies (form FFIEC 002) for implementation in 1995. These revisions to the reporting requirements for U.S. branches and agencies essentially replicate several changes approved for the 1995 Call Report or previously implemented in the Call Report, including expanded disclosures about off-balance-sheet derivative activities. The task force also approved certain minor revisions to the Country Exposure Report (form FFIEC 009) that will take effect in 1995.

Task Force on Supervision

The jurisdiction of the Task Force on Supervision includes all matters relating to the supervision and examination of depository institutions. The goals of the task force are to improve the quality, consistency, and effectiveness of examination and supervisory practices. 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 the senior supervisory officials of the constituent agencies. Meetings are held periodically to address and resolve common supervisory issues. The task force has a standing subcommittee to address information systems issues. Ad hoc working groups are created as needed to handle particular projects and assignments.

Activities of the Task Force

During 1994, the task force, its ad hoc working groups, and its Information Systems Subcommittee were involved in several projects and activities.

In April, the task force approved an interim policy revision to the FFIEC Supervisory Policy Statement on Securities Activities. The revision was issued in response to changes in generally accepted accounting principles (GAAP) that occurred since the development of the supervisory policy in 1991. FAS 115, "Accounting for Certain Investments in Debt and Equity Securities," which became effective for regulatory reporting on January 1, 1994, established new accounting principles for certain securities. Because FAS 115 was issued after the agencies had adopted the supervisory policy, certain provisions of the policy statement's "Section III: Mortgage Derivative Products, Other Asset-Backed Products, and Zero-Coupon Bonds" appeared to

conflict with the requirements of the new accounting standards. This conflict led to questions about the proper reporting of mortgage derivative products in light of the supervisory guidance contained in section III. An interim revision to the section III subsection entitled "Supervisory Policy for Mortgage Derivative Products" was developed by the staff members of the agencies. After the task force adopted the policy revision, the FFIEC sent a letter to all banks and savings associations reconciling FFIEC policy guidance on mortgage derivative products and FAS 115 requirements. The staff members of the Examination Council's member agencies are revising the entire supervisory policy statement on securities activities to conform its accounting terminology and related discussions on securities with FAS 115 requirements.

In November, several working groups, operating under the auspices of the task force, completed uniform interagency guidance on supervisory matters relating to the implementation of accounting standards FAS 114, FAS 115, and FAS 109. The task force, under delegated authority, recommended that member agencies of the Examination Council adopt the common supervisory guidance developed for these accounting rules.

FAS 114

The Examination Council solicited public comment on various issues relating to the implementation of FAS 114, "Accounting by Creditors for Impairment of a Loan." After review of the comments received and further consideration of the issues, the task force concluded that the portion of an institution's allowance for loan and lease losses established pursuant to FAS 114 was general in nature and should be reported as part of the institution's ALLL which is includable in Tier 2 capital subject to current limits. Therefore, the regulatory capital

treatment of the ALLL would not be affected by the adoption of FAS 114 for regulatory reporting purposes. In reaching this conclusion, the task force noted that FAS 114 in no way affects regulatory charge-off policies and reiterated that these policies require banks to promptly charge-off all identified losses and require thrifts to either promptly charge-off identified losses or provide for them using separate, specific allowances that are not included in regulatory capital. The task force also decided to retain existing interagency nonaccrual policies governing the recognition of interest income for problem loans.

FAS 115

The task force decided regulatory capital issues from FAS 115, "Accounting for Certain Investments in Debt and Equity Securities." The task force recommended that the net unrealized holding gains or losses on available-for-sale debt securities not be included in regulatory capital for purposes of computing the leverage and risk-based capital ratios. Accordingly, when calculating these ratios, the amortized cost rather than the fair value of available-for-sale debt securities generally would be used. The task force decided that equity securities with readily determinable fair value continue for regulatory capital purposes to be valued at cost or fair value, whichever is less. The task force also reiterated that examiners should, when evaluating the adequacy of an institution's capital, continue their longstanding practice of considering any unrealized appreciation or depreciation on debt and equity securities not recognized in capital ratios.

FAS 109

The task force decided regulatory capital issues arising from FAS 109, "Accounting for Income Taxes." It recommended that the agencies finalize their proposed amendments

to regulatory capital standards to limit the amount of deferred tax assets reported pursuant to FAS 109 that can be used to meet regulatory capital requirements. To the extent that the realization of deferred tax assets is dependent on an institution's future taxable income, the task force decided that deferred tax assets should be limited for regulatory capital purposes to the amount that the institution expects to realize within one year of the quarter-end report date, or 10 percent of tier 1 capital, whichever is less. Deferred tax assets that can be realized from taxes paid in previous carryback years and from future reversals of existing temporary tax differences would generally not be limited.

Besides the initiative to revise the FFIEC Supervisory Policy Statement on Securities Activities, work continues on other issues. Public comment was solicited at the end of 1993 on a proposed rule to revise the risk-based capital standards to address the regulatory capital treatment of recourse arrangements and direct credit substitutes that expose banks, bank holding companies, and savings associations to credit risk. The working group for this project has reviewed the public comments received and is working on developing capital rules for recourse transactions that are consistent among the agencies. A working group, constituted in mid-1993, is reviewing the interagency policy statement on CAMEL ratings. Another working group, formed to examine the feasibility of developing capital standards for trust operations, continues its efforts.

The Information Systems (IS) Subcommittee, officially established in 1979, manages the examination of Multiregional Data Processing Servicers (MDPS), coordinates the Shared Application Software Review (SASR) program, maintains the FFIEC IS Examination Handbook, and sponsors symposiums. Each year, the subcommittee also sponsors a conference on information systems and technology. The

July 1994 conference focused on current developments in IS technology and featured nationally recognized experts as speakers.

In 1994, ten MDPS examinations of large service bureaus that provide data processing to financial institutions were conducted as were four SASR reviews of turnkey software products. In November, the subcommittee held a symposium on risk and control issues in client server technology. The subcommittee in 1995 will implement the recommendations resulting from this symposium.

The IS subcommittee also published an updated FFIEC Information Systems handbook in 1994. This handbook contains guidance for examiners in performing IS examinations of financial institutions and independent service bureaus.

Task Force on Surveillance Systems

The Task Force on Surveillance Systems oversees the development and implementation of uniform interagency surveillance and monitoring systems. Historically, the task force's primary objective has been to develop and produce the Uniform Bank Performance Report (UBPR), which is an analytical tool used for supervision. It is used to monitor the condition and performance of banking institutions on a quarterly basis and to identify potential or emerging problems in those financial institutions. A UBPR is produced quarterly for each commercial bank and insured savings bank in the United States that is supervised by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, or the Office of the Comptroller of the Currency.

During 1994, the Surveillance Task Force and Surveillance Working Group completed the following projects:

- Expanded the analysis of investment securities to incorporate the

FASB 115 categorization of securities and added detail by type of security.

- Updated capital analysis in the UBPR to account for the effects of FASB 115. The unrealized holding gain or loss from FASB 115 has been excluded from risk-based capital in accordance with inter-agency policy but is shown in other sections of the UBPR not involving risk-based capital.
- Expanded disclosure of risk-based capital data. The UBPR continues to use the FDIC risk-based premium assessments methodology for estimating risk-based capital for banks that are not required to report all data on Call Report Schedule RC-R. The task force decided that risk-based capital data should be included in the UBPR for all banks. This inclusion is a change from the previous practice of displaying risk-based capital information only for banks filing complete data on schedule RC-R.
- Revised the calculations for volatile liability dependence. Volatile liability dependence was changed by expanding the definition of temporary investments to incorporate adjusted trading assets as well as revising volatile liabilities to include trading liabilities and other short-term borrowings.
- Completed developmental phase of project to convert UBPR to the FDIC data warehouse.
- Decided to shift the analysis and development cycle for the UBPR to permit early UBPR data to reflect format and Call Report changes. Previous practice had been to hold all changes until the end of a given quarter. This change will significantly improve the analytical usefulness of UBPR data by the banking agencies.
- Produced and distributed four quarterly versions of the UBPR ahead of schedule. The federal banking agencies each received

UBPR data in an electronic format. State banking agencies received two sets of printed UBPRs for banks in their states. Some of the state banking agencies that are developing information systems will probably request UBPR data electronically instead of in the printed copies currently provided.

Printed UBPR reports were also sent to all banks, and more than 7,000 copies of individual bank UBPRs were provided to the general public.

- Implemented a system to distribute Call Report data electronically to the state banking agencies. This system provides state agencies access to Call Report information throughout the call processing cycle in a manner similar to that used by the federal banking supervisors.
- One supplement to the *UBPR Users Guide* detailing the enhancements and revisions noted above, was distributed to the regulatory agencies and to banks.

Several projects are planned for 1995 that should further improve the UBPR. Those projects are the following:

- Develop new page(s) to reflect additional Call Report data on derivative securities and interest rate sensitivity to be collected in 1995.
- Review the continued usefulness of estimating in the UBPR the tax benefit for banks holding tax-exempt assets.
- Rewrite the *UBPR Users Guide* in perfect bound format to incorporate all previous updates.
- Study the effect of changing the UBPR system to accommodate a common Call Report for all banks and thrift institutions. The reporting changes required by the Riegle Community Development and Regulatory Improvement Act of 1994 will expand and improve data used in the UBPR, but significant programming changes

may be needed to take advantage of the revised information.

- Convert the UBPR to the FDIC data warehouse. Significant cost savings are projected after the conversion and testing are complete.
- Produce four quarterly versions of the UBPR. Distribute copies to federal and state agencies, banks, and the general public.
- Change the method for calculating average peer group ratios to an aggregate average. The current process trims significant numbers of outlier banks from the peer group before averaging. The new process will provide more easily understood data and a more representative picture of the peer group. The task force will also review peer group definitions to determine if any combining of peer groups is needed.

The Surveillance Task Force will also undertake a project that is outside the usual focus of managing the UBPR process: to conduct the study on creating a data warehouse as mandated by section 341 of the Riegle Community Development and Regulatory Improvement Act of 1994.

The UBPR is a supervisory tool primarily for the three federal banking agencies, but other organizations also use it extensively. Copies of the UBPR routinely go to banks and state banking agencies as described below in the distribution policy. Seven thousand UBPRs were distributed in printed form, and several institutions acquired UBPR data in electronic form.

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

- Each insured bank will receive one copy of the current UBPR per quarter.
- Each federal banking agency will receive UBPR data each quarter.

-
- Two printed copies of each UBPR will be available to state bank supervisors for banks in their state; the reports may, as an alternative, be requested in tape form.
 - State banking agencies may also purchase UBPR data files in electronic form.
 - UBPRs and Call Report data will be made available to the public for a fee.

Copies of UBPRs may be purchased by the general public for \$45.00. A *Users Guide*, which describes the content of the report and defines ratio calculations is available for \$25.00. The *State Average Report* is available for \$45.00. *Peer Group Percentile Distribution Reports* and *State Average Percentile Distribution Reports* are available for \$65.00 and \$45.00 respectively. Standardized UBPR quarterly data on magnetic

tape are available for \$400.00. Information on ordering items may be obtained by calling (202) 634-6526 or writing the Council:

Federal Financial Institutions
Examination Council
2100 Pennsylvania Avenue, NW
Suite 200
Washington, DC 20037

THE FEDERAL FINANCIAL INSTITUTIONS REGULATORY AGENCIES AND THEIR SUPERVISED INSTITUTIONS

The five federal regulatory agencies represented on the Council have primary federal supervisory jurisdiction over about 25,600 domestically chartered banks, thrift institutions, and credit unions. On June 30, 1994, these financial institutions held total assets of more than \$5.9 trillion. The Board of Governors of the Federal Reserve System (FRB) and the Office of Thrift Supervision (OTS) also have primary federal supervisory responsibility for commercial bank holding companies and for savings and loan holding companies, respectively.

The three banking agencies on the Council 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 that accept only wholesale deposits to apply for insurance with the Federal Deposit Insurance Corporation (FDIC). According to the Federal Deposit Insurance Corporation Improvement Act of 1991 foreign banks that wish to operate insured entities in the United States and accept retail deposits must organize under separate U.S. charters. Existing insured retail branches may continue to operate as branches. The International Banking Act of 1978 also subjects those U.S. offices of foreign banks to many provisions of the Federal Reserve Act and the Bank Holding Company Act. The act gives primary examining authority to the OCC, the FDIC, and various state authorities for the offices within their jurisdictions, and gives the FRB residual examining authority over all U.S. banking operations of foreign banks.

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 of which is appointed by the President, with the advice and consent of the Senate, for a fourteen-year term. Subject to confirmation by the Senate, the President selects two Board members to serve four-year terms as Chair and Vice Chair. The FRB's activities that are most relevant to the work of the Council are the following:

- 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
- Approves or denies applications for foreign operations of member banks
- Supervises U.S. offices of foreign banks.

Policy decisions are implemented by the FRB and by the twelve 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 Congress created the FDIC in 1933 with a mission to insure bank deposits and reduce the economic disruptions caused by bank failures. Management of the FDIC is vested in a five-member Board of Directors. Three of the directors are appointed by the President, with the advice and consent of the Senate, for six-year terms. One of the three directors is designated by the President as Chairman for a term of five years and another is designated as Vice Chairman. The other two Board members are the Comptroller of the Currency and the Director of the Office of Thrift Supervision. No more than three Board members may be of the same political party.

The FDIC's supervisory activities are conducted by the Division of Supervision (DOS) and the Division of Compliance and Consumer Affairs (DCA). Each of these divisions is organized into eight regions, with regions headed by a regional director (DOS) or a regional manager (DCA). Bank liquidation activities are divided among five service centers, each of which is also headed by a regional director (liquidation).

The FDIC administers two federal deposit insurance funds, the Bank Insurance Fund (BIF) and the Sav-

ings Association Insurance Fund (SAIF). The basic insured amount for a depositor is \$100,000 at each insured depository institution. The BIF is funded through assessments paid by insured commercial banks, certain federal and state savings banks, and industrial banks, as well as through income from investments in U.S. government securities. The SAIF, which was created in 1989 as a successor to the former Federal Savings and Loan Insurance Corporation (FSLIC), receives assessment premiums from insured savings associations. The FDIC sets assessment rates for both the BIF and the SAIF. Historically, rates had been fixed at the same time for all institutions insured by a fund. Effective January 1, 1993, the FDIC established a risk-based assessment system for all depository institutions insured by BIF or SAIF as required under FDICIA. Under the risk-based assessment system, those institutions that pose a greater risk to their respective funds are assessed higher premiums than low risk institutions.

Administrative and supervisory expenses of the FDIC are charged to the BIF or to the SAIF as appropriate. Through fiscal year 1998, the Secretary of the Treasury will provide amounts as needed to cover losses incurred by the SAIF provided that required certifications are made. Also, Federal Deposit Insurance Corporation Improvement Act of 1991 increased the FDIC's authority to borrow from the U.S. Treasury to \$30 billion for the use of both funds. The FDIC, if it deems necessary, has the authority to impose special assessments to provide sufficient income to repay borrowings from the Treasury.

Any depository institution that receives deposits may be insured by the FDIC after application to, examination by, and approval by the FDIC. After considering the applicant's condition, financial history, capital adequacy, prospects for future earnings, management prac-

tices, risk to the insurance fund, and the needs of the applicants community, the FDIC may approve or deny an application for insurance. The FDICIA expanded the FDIC's approval authority to include national banks, all state-chartered banks that are members of the Federal Reserve System, and federal and state-chartered savings associations.

The FDIC has primary federal regulatory and supervisory authority over insured state-chartered banks that are not members of the Federal Reserve System; however, it has the authority to examine for insurance purposes any insured financial institution, either directly or in cooperation with state or other federal supervisory authorities. FDICIA gives the FDIC backup enforcement authority over all insured institutions; that is, the FDIC can recommend that the appropriate federal agency take action against an insured institution and may do so itself if the primary supervisory agency fails to do so. The FDIC's supervisory authority has expanded so that it can deny authorization to insured state-chartered banks for engaging in any activity that is impermissible for a national bank if the FDIC determines that the activity would pose a significant risk to the BIF or if the institution is not in compliance with applicable capital standards. The FDIC may also prohibit activities that seriously threaten the SAIF and may otherwise limit the powers of state-chartered savings associations to those permitted for a federal savings association. In consultation with other federal supervisory agencies, the FDIC has established minimum capital levels below which institutions are deemed to be "critically undercapitalized" and, as such, are subject to seizure or closure if no longer viable.

In protecting insured deposits, the FDIC is charged with resolving the problems of insured depository institutions at the least possible cost

to the deposit insurance fund. In carrying out this responsibility, the FDIC engages in several activities, including paying off deposits, arranging the purchase of assets and assumption of liabilities of failed institutions, effecting insured deposit transfers between institutions, creating and operating temporary bridge banks until a resolution can be accomplished, and using its conservatorship powers.

The Resolution Trust Corporation Refinancing, Restructuring and Improvement Act of 1991 relieved the FDIC of its management responsibilities for the Resolution Trust Company (RTC), the agency responsible through June 30, 1995, for resolving failure cases involving institutions that were formerly insured by the FSLIC. The FDIC Chairman is a member of the Thrift Depositor Protection Oversight Board, which oversees RTC operations, and RTC employees are on assignment from the FDIC.

The National Credit Union Administration (NCUA)

The NCUA, established by an act of the Congress in 1934, is the agency that heads the nation's federal credit union system. A three-member bipartisan board appointed by the President for six-year terms manages the NCUA. The President also selects a member to serve as Chair of the board.

The main responsibilities of the NCUA are the following:

- Charters, examines, and supervises more than 7,500 federal credit unions nationwide
- Administers the National Credit Union Share Insurance Fund (NCUSIF), which insures 98 percent of member share accounts in nearly 12,100 U.S. federal and state-chartered credit unions
- Manages the Central Liquidity Facility, a central bank for credit unions which 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.

The NCUA has six regional offices across the United States that administer its responsibility to charter and supervise credit unions. Its examiners conduct annual, on-site examinations of each federal credit union. The NCUA is funded by the credit unions it regulates and insures.

The Office of the Comptroller of the Currency (OCC)

The OCC is the oldest federal bank 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 by the President with the advice and consent of the Senate. The Comptroller also serves as a Director of the FDIC and as Director of the Neighborhood Reinvestment Corporation.

The OCC is the charterer, regulator and supervisor of the national banking system. As such, it currently regulates and supervises about 3,200 national banks with total assets of about \$2.2 trillion, which account for about 56 percent of the total assets of all U.S. commercial banks. As the only federal banking agency with authority to charter commercial banks, it shapes the structure of the national banking system through its authority to approve or deny applications for new bank charters, the establishment of branches, relocations of head offices, and mergers of national banks.

The national interest requires that the United States have a safe and stable financial system that preserves public confidence and makes available a wide variety of financial

services in a competitive marketplace. The OCC serves this interest by maintaining and promoting a system of bank supervision and regulation that accomplishes four objectives:

- Promotes safety and soundness by requiring that national banks adhere to sound banking and management principles and that they comply with the law
- Promotes banks' ability to compete fairly in the financial marketplace
- Increases OCC efficiency and reduces regulatory burden to the extent consistent with safety and soundness
- Ensures fair and equal access to credit for all Americans.

The principal supervisory tools of the OCC are on-site examination activities and ongoing analysis of national bank operations. As appropriate, the OCC issues rules and regulations concerning banking, bank investment, and other aspects of bank operations.

To meet its objectives, the OCC is organized into seven main areas:

- Bank Supervision Operations is responsible for examinations and other supervision activities in the OCC's six geographic districts; the multinational banking department, which supervises the largest national banks and oversees operations in the OCC's London office; and the special supervision division, which supervises troubled banks.
- Bank Supervision Policy formulates and disseminates OCC's supervision policies to promote national banks' safety and soundness and compliance with laws and regulations. It also has responsibility for training and development as well as the OCC's information systems.
- Capital Markets develops OCC's policies on the capital markets activities of national banks, includ-

ing derivatives, other bank investments, and emerging markets.

- Economic Analysis and Public Affairs includes two main areas of responsibility: (1) economic research and analysis, which includes statistical analysis of national banks' performance, and (2) external affairs, which includes OCC's relations with the general public, bank customers, community groups, the Congress, the news media, and trade associations.
- Corporate Activities and Policy Analysis oversees OCC's corporate activities, including making final decisions on all corporate applications, such as those for charters, new branches, mergers, operating subsidiaries, and head office relocation.
- The Chief Counsel advises the Comptroller on legal matters arising from the administration of laws, rulings, and regulations governing national banks. The Chief Counsel also directs all OCC legal functions, including drafting regulations, responding to requests for legal interpretations, and representing the OCC in all legal matters and proceedings.
- Administration provides operational support for OCC's activities. This support includes human resources, management and quality improvements, and financial services.

In addition, a senior policy adviser to the Comptroller oversees various special projects, including the development of supervisory policies on bank mutual fund activities and projects to improve the effectiveness of the OCC's supervision.

The OCC's six geographic districts are headquartered in New York City, NY; Atlanta, GA; Chicago, IL; Kansas City, MO; Dallas, TX; and San Francisco, CA. The agency is funded through assessments on the assets of national banks.

Office of Thrift Supervision (OTS)

The OTS was established as a bureau of the Treasury Department in August 1989 and became operational in October 1989 as part of a major reorganization of the regulatory structure for thrift institutions mandated by FIRREA. In that act, the Congress gave OTS authority to charter federal thrift institutions and to serve as the primary regulator of federally and state-chartered thrift institutions belonging to the SAIF which currently number approximately 1,500. The OTS carries out this responsibility by (1) adopting regulations to govern the savings and loan industry, (2) examining and supervising thrift institutions and their affiliates, and (3) taking appropriate action to enforce compliance with federal laws and regulations. Besides overseeing thrift institutions, the OTS also regulates, examines, and supervises bank holding companies that own thrift institutions and controls their acquisition of thrift institutions.

The 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 FDIC and the Thrift Deposit Protection Oversight Board and is also a Director of the Neighborhood Reinvestment Corporation. The five areas of the OTS meet the following objectives:

- The Office of Supervision oversees the operations of OTS' five regional offices in the areas of

operations, supervision policy, corporate activities, compliance policy and accounting policy. It has responsibility for the supervision and examination of OTS-regulated thrift institutions in the five OTS regions to ensure the safety and soundness of the industry and thrift institution compliance with the Community Reinvestment Act and fair lending requirements, the development of policies affecting those functions, applications of all types, and the agency's accounting policies. The regional offices are located in Jersey City, Atlanta, Chicago, Dallas, and San Francisco.

- The Administration Office develops and maintains financial management and information systems, administers the agency's human resources and procurement functions, and has responsibility for the training and development through accredited programs of federal regulators of thrift institutions. In addition, Administration provides audiovisual and publications services to the agency, including editorial and production assistance, and maintains an archive of business records and documented actions of the OTS and its predecessor, the Federal Home Loan Bank Board. It also responds to Freedom of Information Act requests and operates a public reference room for viewing securities filings and other public documents.
- The Office of the Chief Counsel is responsible for the legal activities of the agency. This includes pro-

viding legal services to the Director and other agency staff, representing OTS in the courts, prosecuting enforcement actions relating to savings associations, drafting regulations and implementing and supervising compliance with securities statutes that apply to publicly traded savings associations.

- The Office of Research and Analysis develops and maintains surveillance systems for monitoring and reporting the condition of the industry and assists in identifying emerging supervisory problem areas. The office also collects and analyzes data on individual thrift institution exposure to financial risk for use by the institution's management and by OTS examiners.
- The Office of External Affairs handles congressional affairs, press relations, and liaison with the FDIC, RTC and FFIEC. It interacts with members and staff of the Congress as well as with executives at other federal agencies to accomplish the legislative and regulatory objectives of the OTS. The office convenes press conferences and distributes news releases to the public; communicates and explains policy directives, objectives, and actions of the agency to the press, the general public, the thrift industry, government agencies, employees, and other key constituencies.

OTS is funded through fees and assessments levied on the thrift industry that it regulates.

ASSETS, LIABILITIES, AND NET WORTH of U.S. Commercial Banks and Thrift Institutions as of June 30, 1994¹

Billions of dollars

Item	Total	U.S. Commercial Banks ²			U.S. Branches and Agencies of Foreign Banks	BIF-Insured Savings Banks	SAIF-Insured Institutions ¹⁷			Credit Unions ³	
		National	State Member	State Non-Member			Savings and Loan Associations		Savings Banks	Federal Charter	State Charter
							Federal Charter	State Charter			
Total assets	5,902	2,179	819	887	714	258	144	71	540	181	109
Total loans and lease receivables (net)	3,406	1,294	382	528	285	164	115	55	425	99	61
Loans secured by real estate ⁴	1,736	532	131	275	43	148	111	53	389	33	21
Consumer loans ⁵	587	263	57	118	*	8	3	2	31	66	39
Commercial and industrial loans	743	356	111	99	162	9	*	*	4	1	1
All other loans and lease receivables ⁶	398	173	93	46	80	1	1	*	4	*	*
LESS: Allowance for possible loan and lease losses	58	30	10	10	*	2	*	*	4	1	1
Federal funds sold and securities purchased under agreements to resell	196	84	31	24	51	3	*	*	*	2	1
Cash and due from depository institutions ⁷	441	161	63	50	144	6	1	1	9	4	2
Securities and other obligations ⁸	1,233	431	156	244	88	76	23	14	86	72	43
U.S. government obligations ⁹	560	176	57	128	49	49	9	5	30	36	21
Obligations of state and local governments ¹⁰	80	35	13	30	*	1	*	*	1	‡	‡
Other securities	593	220	86	86	39	26	14	9	55	36	22
Other assets ¹¹	626	209	187	41	146	9	5	1	20	5	3
Total liabilities	5,491	2,012	763	804	714	236	132	65	502	164	99
Total deposits and shares ¹²	4,140	1,560	497	700	367	205	103	57	394	160	97
Federal funds purchased and securities sold under agreements to repurchase	408	174	69	52	68	12	6	2	23	2	*
Other borrowings ¹³	498	152	74	40	117	16	20	5	74	*	*
Other liabilities ¹⁴	407	126	86	12	162	3	3	1	11	2	1
Net worth¹⁵	413	167	56	83	*	22	12	6	38	17	12
Memorandum: Number of institutions reporting	25,626	3,183	966	6,540	563	395	457	386	998	7,573	4,565

Symbols Appearing in Tables

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

Footnotes to Tables

1. Covers institutions, including those in Puerto Rico and U.S. territories and possessions, insured by the Federal Deposit Insurance Corporation or National Credit Union Savings Insurance Fund. All branches and agencies of foreign banks in the United States, but excluding any in Puerto Rico and U.S. territories and possessions, are included whether or not insured. The table excludes Edge Act and agreement corporations that are not subsidiaries of U.S. commercial banks.
2. Reflects the fully consolidated statements of FDIC-insured U.S. banks—including their foreign branches, foreign subsidiar-

ies, branches in Puerto Rico and U.S. territories and possessions, and FDIC-insured banks in Puerto Rico and U.S. territories and possessions. Excludes bank holding companies.

3. 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 SAIF-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. SAIF-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 obligations of states and political subdivisions and of U.S. government agencies

Notes continue on the next page

INCOME AND EXPENSES of U.S. Commercial Banks and Thrift Institutions for the Twelve Months Ending June 30, 1994¹
Billions of dollars

Item	Total	U.S. Commercial Banks ²			U.S. Branches and Agencies of Foreign Banks ¹⁶	BIF-Insured Savings Banks	SAIF-Insured Institutions ¹⁷			Credit Unions ³	
		National	State Member	State Non-Member			Savings and Loan Associations		Savings Banks	Federal Charter	State Charter
							Federal Charter	State Charter			
Operating income	405	192	59	72	...	9	10	6	36	13	8
Interest and fees on loans	241	108	27	44	...	6	8	5	30	8	5
Other interest and dividend income	75	39	15	9	...	2	1	1	3	3	2
All other operating income	89	45	17	19	...	1	1	1	3	1	1
Operating expenses	330	152	47	57	...	1	1	1	6	3	2
Salaries and benefits	73	34	12	13	...	1	1	1	5	2	1
Interest on deposits and shares	107	45	12	19	...	3	4	2	14	5	3
Interest on other borrowed money	35	18	7	3	...	1	1	1	4	*	*
Provision for loan and lease losses	18	7	2	4	...	*	1	*	3	1	*
All other operating expenses	97	48	14	18	...	2	2	1	7	3	2
Net operating income	76	40	12	15	...	2	1	1	2	2	1
Securities gains and losses	*	*	*	*	...	*	*	*	*	*	*
Income taxes	26	14	4	5	...	1	1	*	1	‡	‡
Net income	50	26	8	10	...	1	*	1	1	2	1
Memorandum: Number of institutions reporting	25,063	3,183	966	6,540	...	395	457	386	998	7,573	4,565

and corporations. For SAIF-insured institutions, also includes time deposits and excludes mortgage-backed securities.

9. U.S. Treasury securities and securities and obligations of U.S. government agencies and corporations.

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

11. Customers' liabilities on acceptances, real property owned, various accrual accounts, and miscellaneous assets. For U.S. branches and agencies of foreign banks, also includes net due from head

office and other related institutions. For SAIF-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 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 Act and agreement corporation 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 nondeposit 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 owed to head office and other related institutions.

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

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

17. Data for SAIF-insured savings and loans and SAIF-insured savings banks regulated by OTS are unconsolidated, except for operating and finance subsidiaries.

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

APPENDIX A: RELEVANT STATUTES

Title X of Public Law 95-630

Title X of Public Law 95-630, which establishes the Federal Financial Institutions Examination Council, reads, as amended, 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 examinations 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 chair 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 or her official duties as such a member.

Expenses of the Council

Sec. 1005. One-fifth of the costs and expenses of the Council, including the salaries of its employees, shall be paid by each of the federal financial institutions regulatory agencies. Annual assessments for such share shall be levied by the Council based upon its projected budget for the year, and additional assessments may be made during the year if necessary.

Functions of the Council

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

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

(b)(2) When a recommendation of the Council is found unacceptable by one or more of the appli-

cable federal financial institutions regulatory agencies, the agency or agencies shall submit to the Council, within a time period specified by the Council, a written statement of the reasons the recommendation is unacceptable.

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

(d) The Council shall conduct schools for examiners and assistant examiners employed by the federal financial institutions regulatory agencies. Such schools shall be open to enrollment by employees of state financial institutions' supervisory agencies and employees of the Federal Housing Finance Board under condition 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 reports, 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 the end of the one-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)."

Sec. 1011. Establishment of Appraisal Subcommittee

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

Following are those sections of title III of Public Law 94-200, the Home Mortgage Disclosure Act, as amended, that affect 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 fulfilling 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 composed 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 composed 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 composed 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 composed 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 are 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 Subcom-

mittee 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 two years.

APPENDIX B: 1994 AUDIT REPORT

To the Federal Financial Institutions
Examination Council

In our opinion, the accompanying balance sheets and the related statements of revenues and expenses and fund balance and of cash flows present fairly, in all material respects, the financial position of the Federal Financial Institutions Examination Council (the Council) at December 31, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Council's manage-

ment; our responsibility is to express an opinion on these statements based on our audit. We conducted our audits of these statements in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. These 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



February 17, 1995

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
 Balance Sheet as of December 31, 1994 and 1993

	ASSETS	
	1994	1993
CURRENT ASSETS		
Cash, held by Board of Governors of the Federal Reserve System	\$ 770,116	\$ 1,098,600
Accounts receivable from member organizations	443,917	322,851
Other accounts receivable	162,247	122,168
Total current assets	<u>1,376,280</u>	<u>1,543,619</u>
FURNITURE AND EQUIPMENT		
Furniture and equipment, at cost	222,258	203,776
Less accumulated depreciation	146,589	124,708
Net furniture and equipment	<u>75,669</u>	<u>79,068</u>
LEASEHOLD IMPROVEMENTS, net of amortization		
Total assets	<u>\$ 1,511,102</u>	<u>\$ 1,698,254</u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts payable to member organizations	\$ 696,374	\$ 621,692
Other accounts payable and accrued liabilities	49,533	38,235
Accrued annual leave	46,449	43,187
Total current liabilities	<u>792,356</u>	<u>703,114</u>
DEFERRED RENT (Note 5)	<u>147,343</u>	<u>154,074</u>
FUND BALANCE	571,403	841,066
Total liabilities and fund balance	<u>\$ 1,511,102</u>	<u>\$ 1,698,254</u>

The accompanying notes are an integral part of these statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Statement of Revenues and Expenses and Fund Balance for the Years Ended December 31, 1994 and 1993

	1994	1993
REVENUES		
Assessments to member organizations	\$ 985,800	\$ 1,856,000
Tuition	1,419,128	1,214,216
Other revenue (Note 4)	2,466,348	1,737,469
Total revenues	<u>4,871,276</u>	<u>4,807,685</u>
EXPENSES		
Salaries and related benefits	1,147,740	1,142,748
Data processing	2,552,747	1,828,609
Rental of office space	621,845	608,080
Professional fees	160,019	194,603
Travel	157,813	140,672
Printing	77,606	78,280
Rental and maintenance of office equipment	76,733	67,086
Office and other supplies	48,568	51,829
Administrative fees	47,000	44,800
Depreciation	38,295	35,404
Books and subscriptions	35,528	21,150
Postage	28,386	36,847
Telephone	21,340	19,207
Miscellaneous	127,319	64,721
Total expenses	<u>5,140,939</u>	<u>4,334,036</u>
REVENUES (UNDER) OVER EXPENSES	(269,663)	473,649
FUND BALANCE, Beginning of year	841,066	367,417
FUND BALANCE, End of year	<u>\$ 571,403</u>	<u>\$ 841,066</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

(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

The Appraisal Subcommittee of the Council was created pursuant to Public Law 101-73, title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The functions of the Appraisal Subcommittee are related to the certification and licensing of individuals who perform appraisals in connection with federally related real estate transactions. Members of the Appraisal Subcommittee consist of the desig-

nees of the heads of those agencies which comprise the Council and the designee of the head of the Department of Housing and Urban Development. Although it is a subcommittee of the Council, the Appraisal Subcommittee maintains separate financial records and administrative processes. The Council's financial statements do not include financial data for the Appraisal Subcommittee other than that presented in note 4.

(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 four to ten years. Upon the sale or other disposition of a depreciable asset, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized.

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 \$197,160 in 1994 and \$371,200 in 1993.

The Board of Governors of the Federal Reserve System provided administrative support services to the Council at a cost of \$47,000 for 1994 and \$44,800 for 1993.

Member organizations provide office space, data processing and printing services to the Council. The Council paid member organizations \$2,521,920 in 1994 and \$2,073,900 in 1993 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, including retirement benefit plan

Notes continue on the following page.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Statement of Cash Flows
Increase (Decrease) in Cash for the Years Ended December 31, 1994 and 1993

	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenues (under) over expenses	\$ (269,663)	\$ 473,649
Adjustments to reconcile revenues (under) over expenses to net cash provided by operating activities:		
Depreciation	38,295	35,404
(Increase) decrease in accounts receivable	(161,145)	398,274
Increase in accounts payable and accrued liabilities	85,980	158,833
Increase (decrease) in accrued annual leave	3,262	(8,717)
(Decrease) increase in deferred rent	(6,731)	21,160
Net cash provided by operating activities	<u>(310,002)</u>	<u>1,078,603</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of furniture and equipment	—	—
Capital expenditures	(18,482)	(18,969)
Net cash used in investing activities	<u>(18,482)</u>	<u>(18,969)</u>
NET (DECREASE) INCREASE IN CASH	(328,484)	1,059,634
CASH BALANCE, Beginning of year	1,098,600	38,966
CASH BALANCE, End of year	<u>\$ 770,116</u>	<u>\$ 1,098,600</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements—continued

contributions, disbursed on behalf of the Council are reimbursed in full to these organizations. The Council does not have any postretirement benefit liabilities due to the fact that Council employees are included in the plans of the member 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.

(4) Other Revenue

	1994	1993
Home Mortgage Disclosure Act	\$ 1,661,359	\$ 1,117,980
Uniform Bank Performance Report	228,535	217,935
Appraisal Subcommittee	177,802	179,548
Mortgage Insurance Companies of America	143,269	—
Sale of HMDA Data	127,470	86,122
Rental	125,900	124,542
Miscellaneous	2,013	11,342
	<u>\$ 2,466,348</u>	<u>\$ 1,737,469</u>

The Council produces and distributes reports under the Home Mortgage Disclosure Act (HMDA). The Council received \$327,370 in 1994 and \$299,294 in 1993 from the Department of Housing and Urban Development (HUD) to fund HUD's participation in the HMDA project. The Council received \$143,269 in 1994 from the Mortgage Insurance Companies of America for performing HMDA related work for them. The balance of the HMDA revenue for 1994 and 1993 was received from the member agencies.

The Council coordinated and provided certain administrative support to the UBPR project. The Council received \$228,535 in 1994 and \$217,935 in 1993 for operating expenses incurred in support of the UBPR project.

The Council provided space and certain administrative support to the Appraisal Subcommittee. The Council received \$177,802 in 1994 and \$179,548 in 1993 from the Appraisal Subcommittee for these services.

The Council provided space to the Board of Governors of the Federal Reserve System (Board). The Council received \$125,900 in 1994 and \$124,542 in 1993 in rent from the Board.

(5) Deferred Rent

During 1992 the Council entered into a lease for

office space. This lease contains rent abatements and scheduled rent increases which, in accordance with generally accepted accounting principles, must be considered in determining the annual rent expense to be recognized by the Council. The deferred rent represents the difference between the actual lease payments and the rent expense recognized.

(6) Commitments

The Council has entered into operating leases to secure office and classroom space for periods ranging from two to six years. Minimum future rental commitments under those operating leases having an initial or remaining noncancelable lease term in excess of one year at December 31, 1994, are as follows:

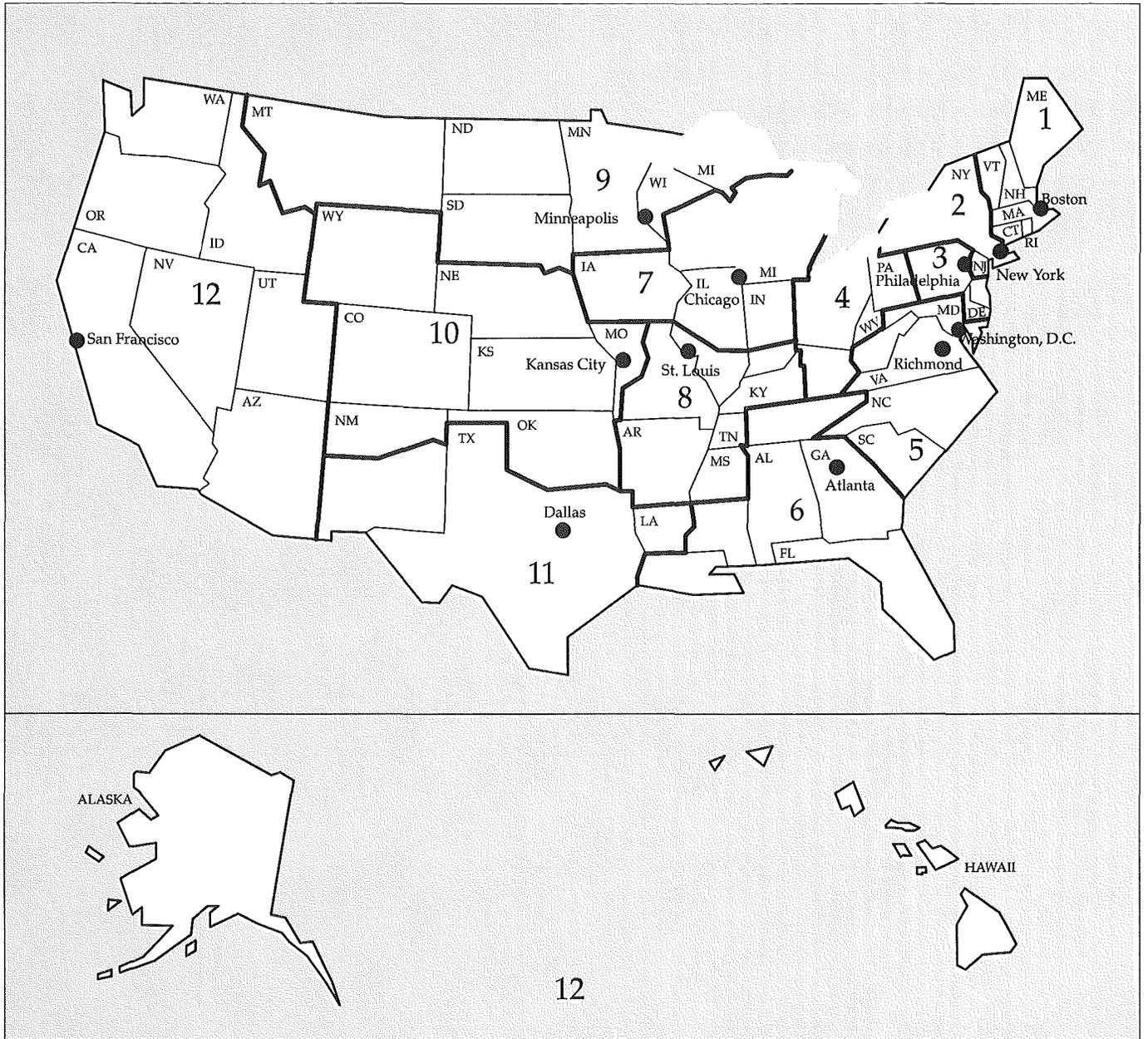
1995	603,330
1996	456,039
1997	429,627
1998	429,627
	<u>\$1,918,623</u>

Rental expenses under these operating leases were \$597,700 and \$593,300 in 1994 and 1993, respectively.

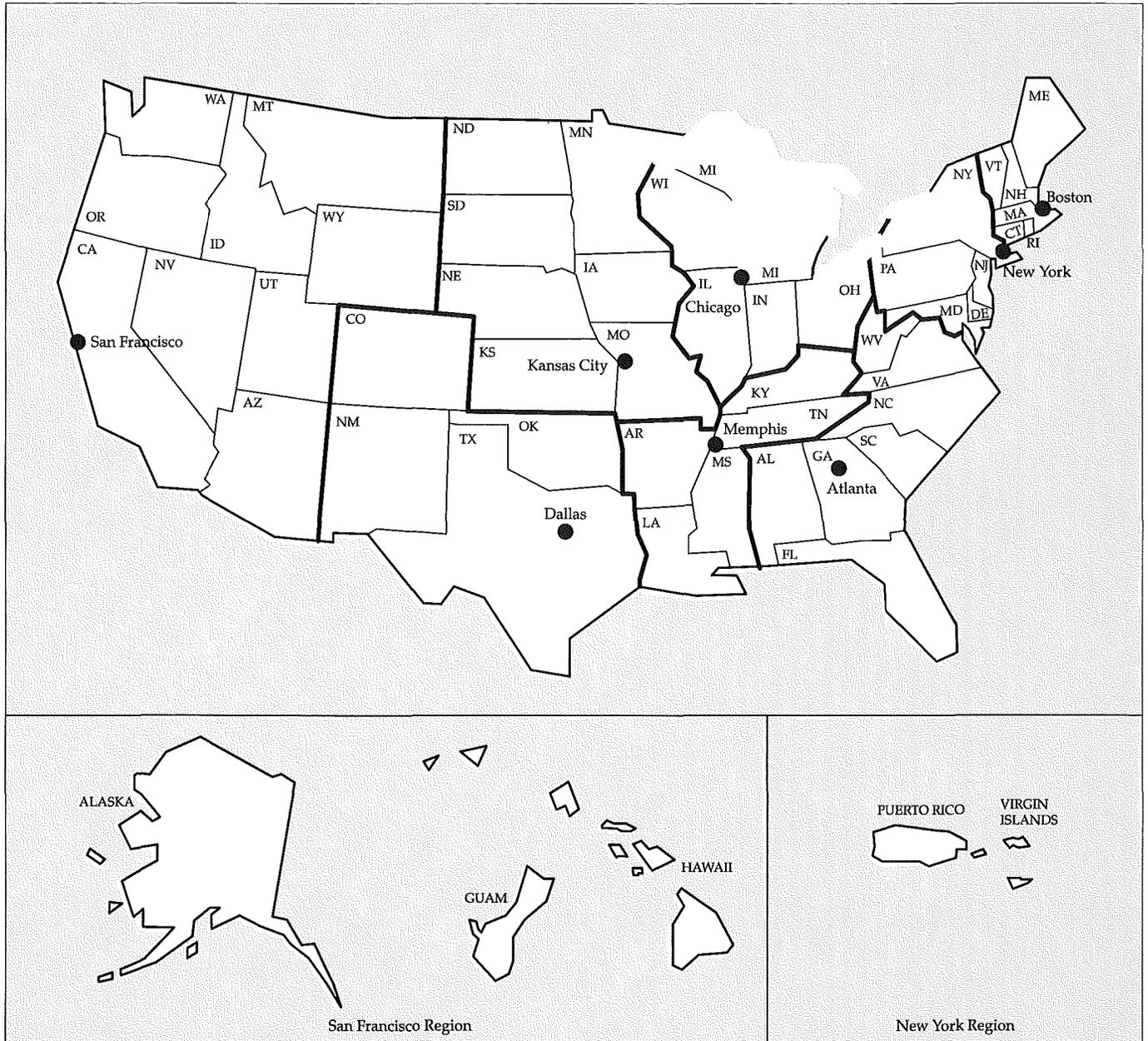
APPENDIX C: MAPS OF AGENCY REGIONS AND DISTRICTS

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

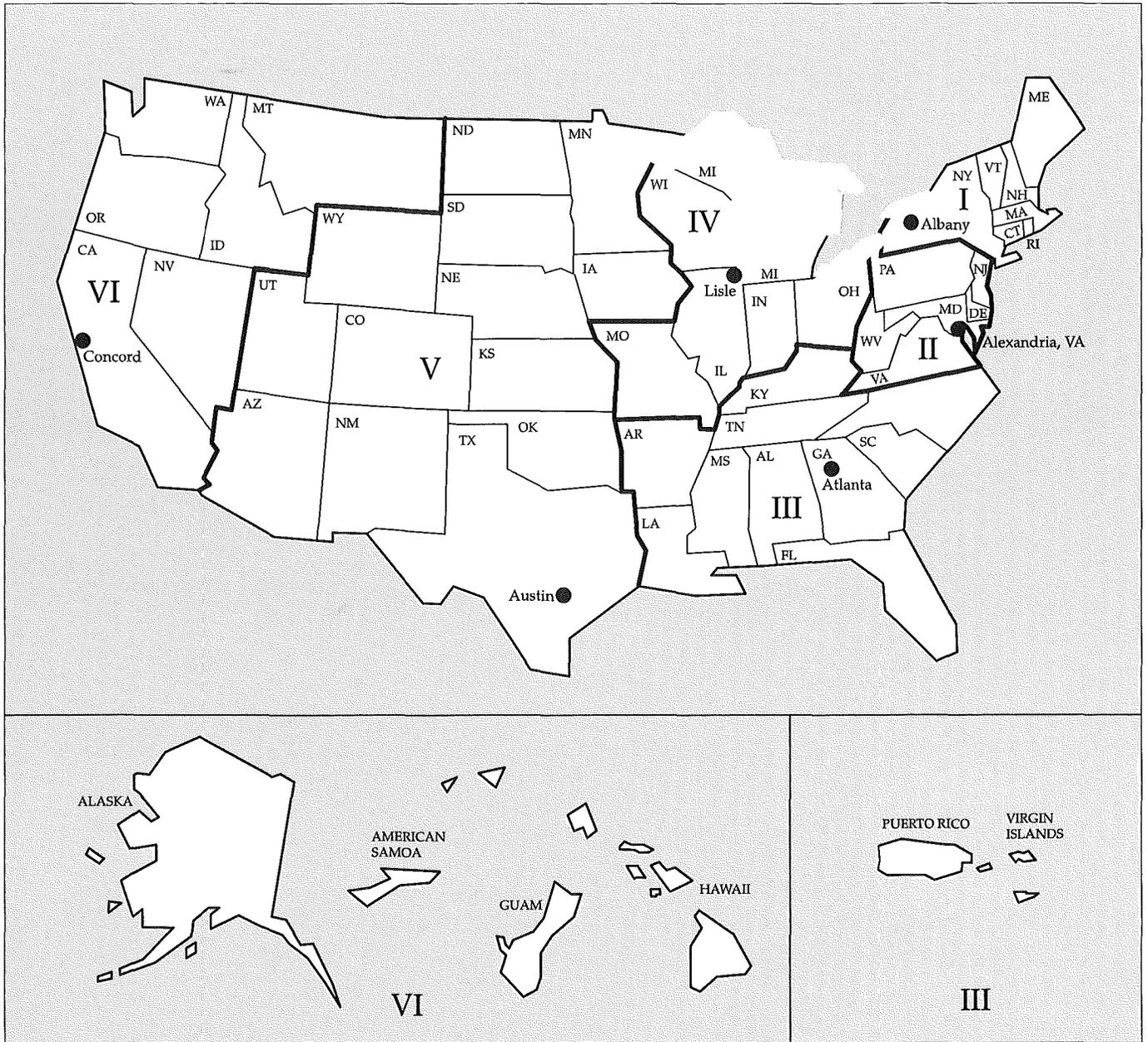
THE FEDERAL RESERVE SYSTEM DISTRICTS



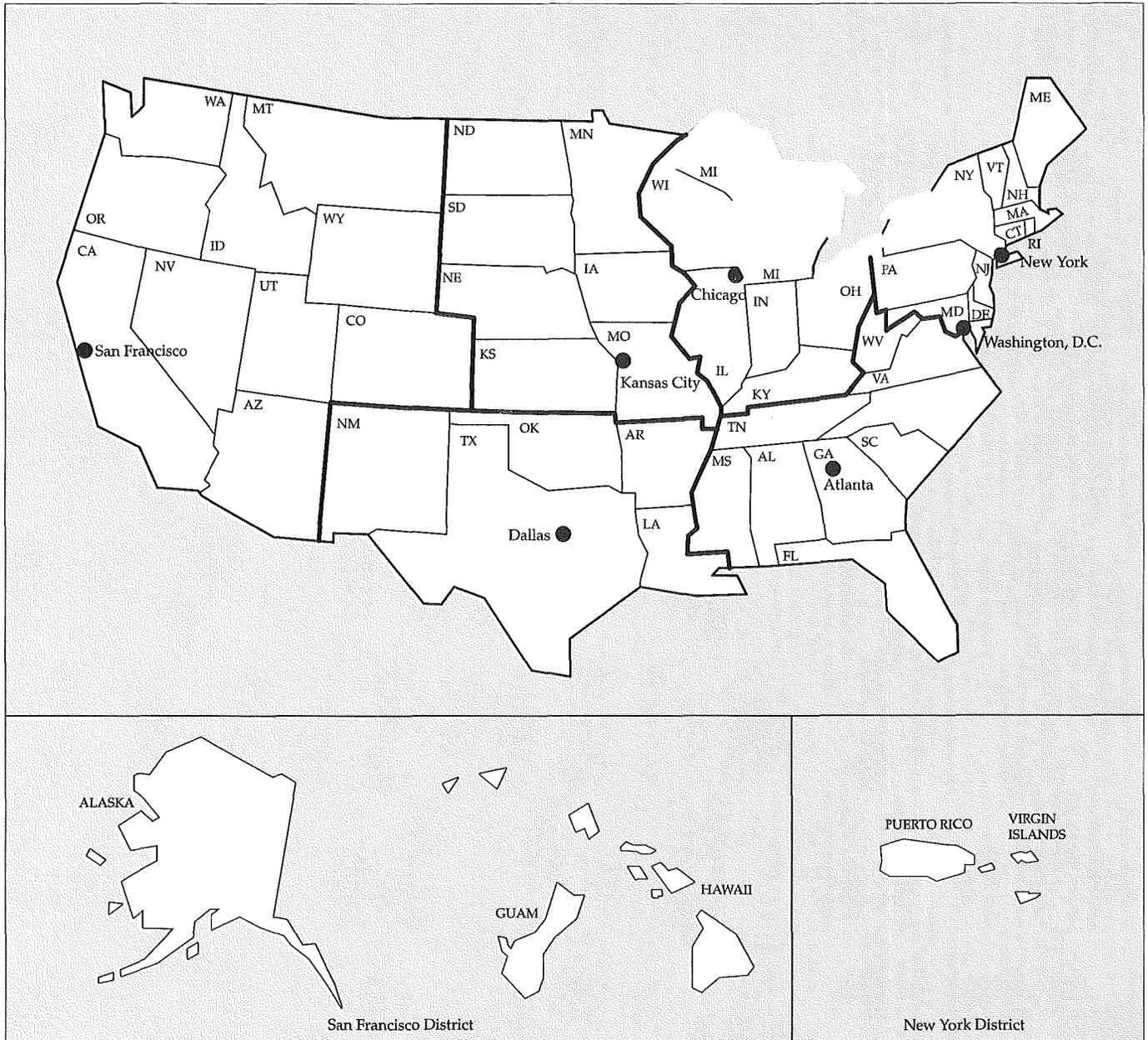
FEDERAL DEPOSIT INSURANCE CORPORATION REGIONS (SUPERVISION)



NATIONAL CREDIT UNION ADMINISTRATION



COMPTROLLER OF THE CURRENCY DISTRICT ORGANIZATION



OFFICE OF THRIFT SUPERVISION

