

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

FEDERAL RESERVE SYSTEM

FEDERAL DEPOSIT INSURANCE CORPORATION

Proposed Agency Information Collection Activities; Comment Request

AGENCIES: Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); and Federal Deposit Insurance Corporation (FDIC).

ACTION: Joint notice and request for comment.

SUMMARY: In accordance with the requirements of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. chapter 35), the OCC, the Board, and the FDIC (the “agencies”) may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Federal Financial Institutions Examination Council (FFIEC), of which the agencies are members, has approved the agencies’ publication for public comment of a proposal to extend, with revision, the

Consolidated Reports of Condition and Income (Call Report), which are currently approved collections of information. The deletions of certain existing data items, the revisions of certain reporting thresholds and certain existing data items, the addition of certain new data items, and certain instructional revisions generally are proposed to take effect as of the December 31, 2015, or the March 31, 2016, report date, depending on the nature of the proposed reporting change. At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the FFIEC and the agencies should modify the proposed revisions prior to giving final approval. The agencies will then submit the revisions to OMB for review and approval.

DATES: Comments must be submitted on or before [INSERT DATE 60 DAYS FROM DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Interested parties are invited to submit written comments to any or all of the agencies. All comments, which should refer to the OMB control number(s), will be shared among the agencies.

OCC: Because paper mail in the Washington, DC area and at the OCC is subject to delay, commenters are encouraged to submit comments by e-mail, if possible.

Comments may be sent to: Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, Attention “1557-0081, FFIEC 031 and 041,” 400 7th Street,

SW., Suite 3E-218, Mail Stop 9W-11, Washington, DC 20219. In addition, comments may be sent by fax to (571) 465-4326 or by electronic mail to prainfo@occ.treas.gov.

You may personally inspect and photocopy comments at the OCC, 400 7th Street, SW., Washington, DC 20219. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 649-6700. Upon arrival, visitors will be required to present valid government-issued photo identification and submit to security screening in order to inspect and photocopy comments.

All comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not include any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

Board: You may submit comments, which should refer to “FFIEC 031 and FFIEC 041,” by any of the following methods:

- Agency Web site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at:
<http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- Email: regs.comments@federalreserve.gov. Include the reporting form numbers in the subject line of the message.
- Fax: (202) 452-3819 or (202) 452-3102.

- Mail: Robert DeV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

All public comments are available from the Board's Web site at

www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room MP-500 of the Board's Martin Building (20th and C Streets, NW.) between 9:00 a.m. and 5:00 p.m. on weekdays.

FDIC: You may submit comments, which should refer to "FFIEC 031 and FFIEC 041," by any of the following methods:

- Agency Web site: <http://www.fdic.gov/regulations/laws/federal/>. Follow the instructions for submitting comments on the FDIC's Web site.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- Email: comments@FDIC.gov. Include "FFIEC 031 and FFIEC 041" in the subject line of the message.
- Mail: Gary A. Kuiper, Counsel, Attn: Comments, Room MB-3074, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.
- Hand Delivery: Comments may be hand delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m.

Public Inspection: All comments received will be posted without change to <http://www.fdic.gov/regulations/laws/federal/> including any personal information provided. Paper copies of public comments may be requested from the FDIC Public Information Center by telephone at (877) 275-3342 or (703) 562-2200.

Additionally, commenters may send a copy of their comments to the OMB desk officer for the agencies by mail to the Office of Information and Regulatory Affairs, U.S. Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW., Washington, DC 20503; by fax to (202) 395-6974; or by email to oir_submission@omb.eop.gov.

FOR FURTHER INFORMATION CONTACT: For further information about the proposed revisions to the Call Report discussed in this notice, please contact any of the agency staff whose names appear below. In addition, copies of the Call Report forms can be obtained at the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm).

OCC: Kevin Korzeniewski, Senior Attorney, (202) 649-5490, for persons who are deaf or hard of hearing, TTY, (202) 649-5597, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 400 7th Street, SW., Washington, DC 20219.

Board: Mark Tokarski, Acting Federal Reserve Board Clearance Officer, (202) 452-3829, Office of the Chief Data Officer, Board of Governors of the Federal

Reserve System, 20th and C Streets, NW., Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may call (202) 263-4869.

FDIC: Gary A. Kuiper, Counsel, (202) 898-3877, and John Popeo, Counsel, (202) 898-6923, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

SUPPLEMENTARY INFORMATION: The agencies are proposing to revise and extend for three years the Call Report, which is currently an approved collection of information for each agency.

Report Title: Consolidated Reports of Condition and Income (Call Report).

Form Number: Call Report: FFIEC 031 (for banks and savings associations with domestic and foreign offices) and FFIEC 041 (for banks and savings associations with domestic offices only).

Frequency of Response: Quarterly.

Affected Public: Business or other for-profit.

OCC:

OMB Number: 1557-0081.

Estimated Number of Respondents: 1,503 national banks and federal savings associations.

Estimated Time per Response: 59.41 burden hours per quarter to file.

Estimated Total Annual Burden: 357,173 burden hours to file.

Board:

OMB Number: 7100-0036.

Estimated Number of Respondents: 850 state member banks.

Estimated Time per Response: 59.90 burden hours per quarter to file.

Estimated Total Annual Burden: 203,660 burden hours to file.

FDIC:

OMB Number: 3064-0052.

Estimated Number of Respondents: 4,036 insured state nonmember banks
and state savings associations.

Estimated Time per Response: 44.56 burden hours per quarter to file.

Estimated Total Annual Burden: 719,377 burden hours to file.

The estimated time per response for the quarterly filings of the Call Report is an average that varies by agency because of differences in the composition of the institutions under each agency's supervision (e.g., size distribution of institutions, types of activities in which they are engaged, and existence of foreign offices). The average reporting burden for the filing of the Call Report as it is proposed to be revised is estimated to range from 20 to 775 hours per quarter, depending on an individual institution's circumstances.

Type of Review: Revision and extension of currently approved collections.

General Description of Reports

These information collections are mandatory: 12 U.S.C. 161 (for national banks), 12 U.S.C. 324 (for state member banks), 12 U.S.C. 1817 (for insured state nonmember commercial and savings banks), and 12 U.S.C. 1464 (for federal and state savings associations). At present, except for selected data items, these information collections are not given confidential treatment.

Abstract

Institutions submit Call Report data to the agencies each quarter for the agencies' use in monitoring the condition, performance, and risk profile of individual institutions and the industry as a whole. Call Report data serve a regulatory or public policy purpose by assisting the agencies in fulfilling their missions of ensuring the safety and soundness of financial institutions and the financial system and the protection of consumer financial rights, as well as agency-specific missions affecting national and state-chartered institutions, e.g., monetary policy, financial stability, and deposit insurance. Call Reports are the source of the most current statistical data available for identifying areas of focus for on-site and off-site examinations. The agencies use Call Report data in evaluating institutions' corporate applications, including, in particular, interstate merger and acquisition applications for which, as required by law, the agencies must determine whether the resulting institution would control more than ten percent of the total amount of deposits of insured depository institutions in the United States. Call Report data also are used to calculate institutions' deposit insurance and Financing Corporation

assessments and national banks' and federal savings associations' semiannual assessment fees.

Current Actions

I. Introduction

The FFIEC launched a formal initiative in December 2014 to identify potential opportunities to reduce burden associated with Call Report requirements for community banks. In embarking on this effort, the FFIEC was responding to industry concerns about the cost and burden associated with the Call Report. The FFIEC's formal initiative comprises actions in five areas, which are discussed below. In addition, as a foundation for the actions it is undertaking, the FFIEC has developed a set of guiding principles for use in evaluating potential additions and deletions of Call Report data items and other revisions to the Call Report. In general, any Call Report changes must meet three guiding principles: (1) The data items serve a long-term regulatory or public policy purpose by assisting the FFIEC's member entities in fulfilling their missions of ensuring the safety and soundness of financial institutions and the financial system and the protection of consumer financial rights, as well as entity-specific missions affecting national and state-chartered institutions; (2) The data items to be collected maximize practical utility and minimize, to the extent practicable and appropriate, burden on financial institutions; and (3) Equivalent data items are not readily available through other means.

As a first action under the FFIEC's Call Report burden-reduction initiative, the agencies are publishing this Federal Register notice and requesting comment on a number of proposed burden-reducing changes and certain other proposed Call Report revisions identified during their most recent statutorily mandated review of the information collected in the Call Report.¹ Implementation of the revisions identified during that review had been deferred while the agencies adopted changes to the reporting of regulatory capital information in the Call Report to implement the revised regulatory capital rules issued in July 2013 that took effect as of January 1, 2014, and January 1, 2015.²

The FFIEC and the agencies also identified and incorporated into this proposal certain other burden-reducing changes to the Call Report in addition to those identified in the most recent statutorily mandated review of the Call Report. The burden-reducing changes included as part of this first action are not intended to be the only group of Call Report revisions designed to lessen reporting burden for reporting institutions and, in particular, for community banks. Additional burden-reducing changes to the Call Report are expected to result from the other actions being taken by the agencies under the FFIEC's Call Report burden-reduction initiative.

As the second action, the agencies have accelerated the start of the next statutorily mandated review of the existing Call Report data items, which otherwise would have commenced in 2017. Users of Call Report data items at the FFIEC's member entities are participating in a series of surveys being conducted over an 18-month period that began

¹ This review is mandated by section 604 of the Financial Services Regulatory Relief Act of 2006 (12 U.S.C. 1817(a)(11)).

² See 78 FR 48932 (August 12, 2013); 79 FR 2527 (January 14, 2014); 79 FR 35634 (June 23, 2014); and 80 FR 5618 (February 2, 2015).

in mid-July 2015. As an integral part of these surveys, users are being asked to fully explain the need for each Call Report data item, how it is used, the frequency with which it is needed, and the population of institutions from which it is needed. Call Report schedules have been placed into groups and prioritized for review, generally based on perceived burden as cited by banking industry representatives. Based on the results of the surveys, the agencies will identify data items that will be considered for elimination, less frequent collection, or new or upwardly revised reporting thresholds. Burden-reducing reporting changes will be proposed for implementation on a flow basis as they are identified during the sequential reviews of groups of Call Report schedules rather than waiting until the completion of the entire review.

As a third action, the agencies are considering the feasibility and merits of creating a less burdensome version of the quarterly Call Report for institutions that meet certain criteria, which may include an asset-size reporting threshold or activity limitations. For example, a report for eligible institutions could exclude the Call Report schedules and items not applicable to institutions below the specified asset-size threshold. The agencies plan to complete their analysis regarding the concept of such a Call Report by year-end 2015. Any plan for a new version of the Call Report would need to be approved by the FFIEC and implemented by the agencies in compliance with the applicable requirements under the PRA.

A fourth action for the agencies is to better understand, through industry dialogue, the aspects of reporting institutions' Call Report preparation process that are significant sources of reporting burden, including where manual intervention by an institution's staff is necessary to report particular information. As an initial step toward gaining this

understanding, representatives from the FFIEC's member entities plan to visit a limited number of institutions that have expressed their willingness to host a visit during the third quarter of 2015. Institution staff would be asked to show how they prepare their Call Reports and explain which schedules or data items take a significant amount of time or manual processes to complete and the reasons for this. Findings from on-site visits would help the agencies determine the nature and form of further banker outreach. The information obtained from these activities would assist the agencies in evaluating whether and how it may be possible to reduce reporting burden by revising or redefining Call Report data items.

As the fifth action, the agencies plan to offer periodic training to bankers via teleconferences and webinars that would explain upcoming reporting changes and could also provide guidance on areas of the Call Report bankers find challenging to complete. These events should benefit institutions by reducing Call Report preparation training costs. The first training session was a banker teleconference on February 25, 2015, that included a presentation on the revised Call Report Schedule RC-R regulatory capital reporting requirements that took effect on March 31, 2015, followed by a question-and-answer session. The slide presentation used during the teleconference, an audio recording of this presentation, and a transcript of the entire teleconference have been posted on the FFIEC's Web site.

II. Overview

The agencies are proposing to implement a number of revisions to the Call Report requirements in December 2015 or March 2016, depending on the nature of the proposed

revision. The proposed changes, which are discussed in detail in Sections III.A through III.E below and would take effect in December 2015 unless otherwise indicated, include:

- Deletions of certain existing data items pertaining to other-than-temporary impairments from Schedule RI, Income Statement; troubled debt restructurings from Schedule RC-C, Part I, Loans and Leases, and Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets; loans covered by FDIC loss-sharing agreements from Schedule RC-M, Memoranda, and Schedule RC-N; and unused commitments to asset-backed commercial paper conduits with an original maturity of one year or less in Schedule RC-R, Part II, Risk-Weighted Assets;
- Increases in existing reporting thresholds for certain data items in five Call Report schedules³ and the establishment of a reporting threshold for certain data items in Schedule RC-S, Servicing, Securitization, and Asset Sale Activities;
- Instructional revisions addressing the reporting of home equity lines of credit that convert from revolving to non-revolving status in Schedule RC-C, Part I; securities for which a fair value option is elected in Schedule RC, Balance Sheet; and net gains (losses) and other-than-temporary impairments on equity securities that do not have readily determinable fair values in Schedule RI;
- New and revised data items and information of general applicability, including:
 - Increasing the time deposit size threshold used to report certain deposit information from \$100,000 to \$250,000 in Schedule RC-E, Deposit Liabilities; Schedule RI; and Schedule RC-K, Quarterly Averages;⁴

³ The data items for which components in excess of specified reporting thresholds are required to be itemized and described are included in Schedule RI-E, Explanations; Schedule RC-D, Trading Assets and Liabilities; Schedule RC-F, Other Assets; Schedule RC-G, Other Liabilities; and Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis.

- Revising the statements used to describe the level of external auditing work performed for the reporting institution during the preceding year in Schedule RC (effective in March 2016);
- Adding contact information for the reporting institution's Chief Executive Officer;
- Reporting the Legal Entity Identifier for the reporting institution if it already has one (on the Call Report cover page);
- Creating additional preprinted captions for itemizing and describing components of certain items that exceed reporting thresholds in Schedules RC-F and RI-E; and
- Eliminating the concept of extraordinary items and revising affected data items in Schedule RI (effective in March 2016); and
- New and revised data items of limited applicability, including:
 - Revising the reporting of certain securities measured under a fair value option in Schedule RC-Q and moving the existing Memorandum items for the fair value and unpaid principal balance of loans (not held for trading) measured under a fair value option from Schedule RC-C, Part I, to Schedule RC-Q;
 - Revising the information reported in Schedule RI Memorandum items by institutions with total assets of \$100 billion or more on the impact on trading revenues of changes in credit and debit valuation adjustments (effective in March 2016);

⁴ Effective in March 2016 for the data items for the interest expense on and quarterly averages of time deposits in Schedules RI and RC-K, respectively.

- Adding a new item on “dually payable” deposits in foreign branches of U.S. banks to Schedule RC-E, Part II, Deposits in Foreign Offices, on the FFIEC 031 report; and
- Revising the information reported about the supplementary leverage ratio by advanced approaches institutions in Schedule RC-R, Part I, Regulatory Capital Components and Ratios (effective in March 2016).

For the Call Report revisions proposed to take effect in December 2015, the agencies invite comment on any difficulties that institutions would encounter in implementing any of these revisions in their year-end 2015 Call Reports.

For the December 31, 2015, and March 31, 2016, report dates, as applicable, institutions may provide reasonable estimates for any new or revised Call Report data item initially required to be reported as of that date for which the requested information is not readily available. The specific wording of the captions for the new or revised Call Report data items discussed in this proposal and the numbering of these data items should be regarded as preliminary.

III. Discussion of Proposed Call Report Revisions

A. Deletions of Existing Data Items

Based on the agencies' review of the information that institutions are required to report in the Call Report, the agencies have determined that the continued collection of the following items is no longer necessary and are proposing to eliminate them effective December 31, 2015:

- (1) Schedule RI, Memorandum items 14.a and 14.b, on other-than-temporary impairments;⁵
- (2) Schedule RC-C, Memorandum items 1.f.(2), 1.f.(5), and 1.f.(6) (and 1.f.(7) on the FFIEC 031), on troubled debt restructurings in certain loan categories that are in compliance with their modified terms;
- (3) Schedule RC-N, Memorandum items 1.f.(2), 1.f.(5), and 1.f.(6) (and 1.f.(7) on the FFIEC 031), on troubled debt restructurings in certain loan categories that are 30 days or more past due or on nonaccrual;
- (4) Schedule RC-M, items 13.a.(5)(a) through (d) (and (e) on the FFIEC 031), on loans in certain loan categories that are covered by FDIC loss-sharing agreements; and
- (5) Schedule RC-N, items 11.e.(1) through (4) (and (5) on the FFIEC 031), on loans in certain loan categories that are covered by FDIC loss-sharing agreements and are 30 days or more past due or on nonaccrual.

⁵ Institutions would continue to complete Schedule RI, Memorandum item 14.c, on net impairment losses recognized in earnings.

In addition, when Schedule RC-R, Part II, is completed properly, item 18.b on unused commitments to asset-backed commercial paper conduits with an original maturity of one year or less is not needed because such commitments should already have been reported in item 10 as off-balance sheet securitization exposures. The instructions for item 18.b explain that these unused commitments should be reported in item 10 and that amounts should not be reported in item 18.b. Accordingly, the agencies are proposing to delete existing item 18.b from Schedule RC-R, Part II. Existing item 18.c of Schedule RC-R, Part II, for unused commitments with an original maturity exceeding one year would then be renumbered as item 18.b.

B. New Reporting Threshold and Increases in Existing Reporting Thresholds

In five Call Report schedules, institutions are currently required to itemize and describe each component of an existing item when the component exceeds both a specified percentage of the item and a specified dollar amount.⁶ Based on a preliminary evaluation of the existing reporting thresholds, the agencies have concluded that the dollar portion of the thresholds that currently apply to these items can be increased to provide a reduction in reporting burden without a loss of data that would be necessary for supervisory or other public policy purposes. The percentage portion of the existing thresholds would not be changed. Accordingly, the agencies are proposing to raise from \$25,000 to \$100,000 the dollar portion of the threshold for itemizing and describing components of:

⁶ See footnote 3.

- (1) Schedule RI-E, item 1, “Other noninterest income;”
- (2) Schedule RI-E, item 2, “Other noninterest expense;”
- (3) Schedule RC-F, item 6, “All other assets;”
- (4) Schedule RC-G, item 4, “All other liabilities;”
- (5) Schedule RC-Q, Memorandum item 1, “All other assets;” and
- (6) Schedule RC-Q, Memorandum item 2, “All other liabilities.”

The agencies also are proposing to raise from \$25,000 to \$1,000,000 the dollar portion of the threshold for itemizing and describing components of “Other trading assets” and “Other trading liabilities” in Schedule RC-D, Memorandum items 9 and 10.

In addition, because institutions with less than \$1 billion in total assets typically do not provide support for asset-backed commercial paper conduits, the agencies are proposing to exempt such institutions from completing Schedule RC-S, Memorandum items 3.a.(1), 3.a.(2), 3.b.(1), and 3.b.(2), on credit enhancements and unused liquidity commitments provided to asset-backed commercial paper conduits.

These proposed threshold changes would take effect December 31, 2015.

C. Instructional Revisions

The following proposed instructional revisions would take effect December 31, 2015.

1. Reporting Home Equity Lines of Credit that Convert from Revolving to Non-revolving Status

Institutions report the amount outstanding under revolving, open-end lines of credit secured by 1-4 family residential properties (commonly known as home equity lines of credit or HELOCs) in item 1.c.(1) of Schedule RC-C, Part I, Loans and Leases. Closed-end loans secured by 1-4 family residential properties are reported in Schedule RC-C, Part I, item 1.c.(2)(a) or (b), depending on whether the loan is a first or a junior lien.⁷

A HELOC is a line of credit secured by a lien on a 1-4 family residential property that generally provides a draw period followed by a repayment period. During the draw period, a borrower has revolving access to unused amounts under a specified line of credit. During the repayment period, the borrower can no longer draw on the line of credit, and the outstanding principal is either due immediately in a balloon payment or is repaid over the remaining loan term through monthly payments. The Call Report instructions do not address the reporting treatment for a home equity line of credit when it reaches its end-of-draw period and converts from revolving to nonrevolving status. Such a loan no longer has the characteristics of a revolving, open-end line of credit and, instead, becomes a closed-end loan. In the absence of instructional guidance that specifically addresses this situation, the agencies have found diversity in how these credits are reported in Schedule RC-C, Part I. Some institutions continue to report home equity lines of credit that have converted to non-revolving closed-end status in

⁷ Information also is separately reported for open-end and closed-end loans secured by 1-4 family residential properties in Schedule RI-B, Part I, Charge-offs and Recoveries on Loans and Leases; Memorandum items in Schedule RC-C, Part I; Schedule RC-D; Schedule RC-M; and Schedule RC-N.

item 1.c.(1) of Schedule RC-C, Part I, as if they were still revolving open-end lines of credit, while other institutions recategorize such loans and report them as closed-end loans in item 1.c.(2)(a) or (b), as appropriate.

Therefore, to address this absence of instructional guidance and promote consistency in reporting, the agencies are proposing to clarify the instructions for reporting loans secured by 1-4 family residential properties to specify that after a revolving open-end line of credit has converted to non-revolving closed-end status, the loan should be reported in Schedule RC-C, Part I, item 1.c.(2)(a) or (b), as appropriate. In proposing this clarification, the agencies request comment on whether an instructional requirement to recategorize HELOCs as closed-end loans for Call Report purposes would create difficulties for institutions' loan recordkeeping systems. If so, commenters are encouraged to describe the difficulties this recategorization would create.

2. Reporting Treatment for Securities for Which a Fair Value Option is Elected

The Call Report Glossary entry for "Trading Account" currently states that "all securities within the scope of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), that a bank has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities." This reporting treatment was based on language contained in former FASB Statement No. 159, "The Fair Value Option for Financial Assets and

Financial Liabilities,” but that language was not codified when Statement No. 159 was superseded by current ASC Topic 825, Financial Instruments. Thus, under U.S. GAAP as currently in effect, the classification of all securities within the scope of ASC Topic 320 that are accounted for under a fair value option as trading securities is no longer required. Accordingly, to bring the “Trading Account” Glossary entry into conformity with current U.S. GAAP, the agencies are proposing to revise the statement from the Glossary entry quoted above by replacing “should be classified” with “may be classified.”

This revision to the “Trading Account” Glossary entry means that an institution that elects the fair value option for securities within the scope of ASC Topic 320 would be able to classify such securities as held-to-maturity or available-for-sale in accordance with this topic based on the institution’s intent and ability with respect to the securities. In addition, an institution could choose to classify securities for which a fair value option is elected as trading securities.

Institutions that have been required to classify all securities within the scope of ASC Topic 320 that are accounted for under a fair value option as trading securities also should consider the related proposed changes to Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis, which are discussed in Section III.E.1 below.

3. Net Gains (Losses) on Sales of, and Other-Than-Temporary Impairments on, Equity Securities That Do Not Have Readily Determinable Fair Values

Institutions report investments in equity securities that do not have readily determinable fair values and are not held for trading (and to which the equity method of accounting does not apply) in Schedule RC-F, item 4, and on the Call Report balance sheet in Schedule RC, item 11, “Other assets.” If such equity securities are held for trading, they are reported in Schedule RC, item 5, and in Schedule RC-D, item 9 and Memorandum item 7.b, if applicable. In contrast, investments in equity securities with readily determinable fair values that are not held for trading are reported as available-for-sale securities in Schedule RC, item 2.b, and in Schedule RC-B, item 7, whereas those held for trading are reported in Schedule RC, item 5, and in Schedule RC-D, item 9 and Memorandum item 7.a, if applicable.

In general, investments in equity securities that do not have readily determinable fair values are accounted for in accordance with ASC Subtopic 325-20, Investments-Other – Cost Method Investments (formerly Accounting Principles Board Opinion No. 18, “The Equity Method of Accounting for Investments in Common Stock”), but are subject to the impairment guidance in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Staff Position No. FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments”).

The Call Report instructions for Schedule RI, Income Statement, address the reporting of realized gains (losses), including other-than-temporary impairments, on held-to-maturity and available-for-sale securities as well as the reporting of realized and

unrealized gains (losses) on trading securities and other assets held for trading. However, the Schedule RI instructions do not specifically explain where to report realized gains (losses) on sales or other disposals of, and other-than-temporary impairments on, equity securities that do not have readily determinable fair values and are not held for trading (and to which the equity method of accounting does not apply).

The instructions for Schedule RI, item 5.k, “Net gains (losses) on sales of other assets (excluding securities),” direct institutions to “[r]eport the amount of net gains (losses) on sales and other disposals of assets not required to be reported elsewhere in the income statement (Schedule RI).” The instructions for item 5.k further advise institutions to exclude net gains (losses) on sales and other disposals of securities and trading assets. The intent of this wording was to cover securities designated as held-to-maturity, available-for-sale, and trading securities because there are separate specific items elsewhere in Schedule RI for the reporting of realized gains (losses) on such securities (items 6.a, 6.b, and 5.c, respectively). Thus, the agencies are proposing to revise the instructions for Schedule RI, item 5.k, by clarifying that the exclusions from this item of net gains (losses) on securities and trading assets apply to held-to-maturity, available-for-sale, and trading securities and other assets held for trading. At the same time, the agencies are proposing to add language to the instructions for Schedule RI, item 5.k, that explains that net gains (losses) on sales and other disposals of equity securities that do not have readily determinable fair values and are not held for trading (and to which the equity method of accounting does not apply), as well as other-than-temporary impairments on such securities, should be reported in item 5.k. The agencies also are proposing to remove the parenthetical “(excluding securities)” from the caption for item 5.k and add in

its place a footnote to this item advising institutions to exclude net gains (losses) on sales of trading assets and held-to-maturity and available-for-sale securities.

D. New and Revised Data Items and Information of General Applicability

1. Increase in the Time Deposit Size Threshold

Section 335 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 111-203) permanently increased the standard maximum deposit insurance amount (SMDIA) from \$100,000 to \$250,000 effective July 21, 2010. The SMDIA had been increased temporarily from \$100,000 to \$250,000 by Section 136 of the Emergency Economic Stabilization Act of 2008 (Pub. L. No. 110-343). In response to the increase in the limit of deposit insurance coverage, the reporting of the amount of “Total time deposits of \$100,000 or more” in Memorandum item 2.c of Schedule RC-E, Deposit Liabilities, was revised as of the March 31, 2010, report date. As of that date, institutions began to separately report their “Total time deposits of \$100,000 through \$250,000” (Memorandum item 2.c) and their “Total time deposits of more than \$250,000” (Memorandum item 2.d).

However, the reporting of the quarterly averages, interest expense, and maturity and repricing data for time deposits of \$100,000 or more in Schedules RC-K, RI, and RC-E, respectively, have not been updated to reflect the permanent \$250,000 deposit insurance limit. In this regard, in its comment letter to the agencies in response to their first request for comments under the Economic Growth and Regulatory Paperwork

Reduction Act of 1996,⁸ the American Bankers Association recommended revising the Schedule RC-E deposit reporting items to reflect the new FDIC insurance limit of \$250,000. Accordingly, the agencies are proposing to revise the time deposit size threshold that applies to the reporting of this information to bring it into alignment with the SMDIA. These proposed changes are illustrated in the following table:

Call Report Schedule	Current Item	Proposed Revised Item
Schedule RC-K, Quarterly Averages	Item 11.b, “Time deposits of \$100,000 or more”	Item 11.b, “Time deposits of \$250,000 or less”
	Item 11.c, “Time deposits of less than \$100,000”	Item 11.c, “Time deposits of more than \$250,000”
Schedule RI, Income Statement ⁹	Item 2.a.(2)(b), Interest expense on “Time deposits of \$100,000 or more”	Item 2.a.(2)(b), Interest expense on “Time deposits of \$250,000 or less”
	Item 2.a.(2)(c), Interest expense on “Time deposits of less than \$100,000”	Item 2.a.(2)(c), Interest expense on “Time deposits of more than \$250,000”
Schedule RC-E, Deposit Liabilities	Memorandum item 3.a, “Time deposits of less than \$100,000 with a remaining maturity or next repricing date of”	Memorandum item 3.a, “Time deposits of \$250,000 or less with a remaining maturity or next repricing date of”
	Memorandum item 3.b, “Time deposits of less than \$100,000 with a remaining maturity of one year or less”	Memorandum item 3.b, “Time deposits of \$250,000 or less with a remaining maturity of one year or less”
	Memorandum item 4.a, “Time deposits of \$100,000 or more with a remaining maturity or next repricing date of”	Memorandum item 4.a, “Time deposits of more than \$250,000 with a remaining maturity or next repricing date of”
	Memorandum item 4.b, “Time deposits of \$100,000 through \$250,000 with a remaining maturity of one	Memorandum item 4.b,

⁸ 79 FR 32172, June 4, 2014.

⁹ The item numbers shown for Schedule RI are from the FFIEC 041 report form for institutions with domestic offices only. On the FFIEC 031 report form for institutions with domestic and foreign offices, the item numbers are items 2.a.(1)(b)(2) and 2.a.(1)(b)(3).

	year or less”	“Time deposits of more than \$250,000 with a remaining maturity of one year or less”
	Memorandum item 4.c, “Time deposits of more than \$250,000 with a remaining maturity of one year or less”	

The proposed changes to Schedules RC-K and RI would take effect March 31, 2016. The agencies are proposing to implement the changes to Schedule RC-E as of December 31, 2015, but comment is specifically requested on whether institutions’ deposit recordkeeping systems will be able to support the proposed change in the reporting of maturity and repricing data in Memorandum items 3 and 4 as of that date.

2. Level of External Auditing Work Performed for the Reporting Institution During the Preceding Year

Each year in the March Call Report, each institution indicates in Schedule RC, Memorandum item 1, the most comprehensive level of auditing work performed by independent external auditors during the preceding calendar year for the institution or its parent holding company. In completing Memorandum item 1, each institution selects from nine statements describing a range of levels of auditing work the one statement that best describes the level of auditing work performed for it. Certain statements from which an institution must choose do not reflect current auditing practices performed in accordance with applicable standards and procedures promulgated by the U.S. auditing standard setters, namely the Public Company Accounting Oversight Board (PCAOB) and the Auditing Standards Board (ASB) of the American Institute of Certified Public

Accountants. The PCAOB establishes auditing and related professional practice standards to be used in the performance and reporting of audits of the financial statements of public companies. The ASB establishes auditing, attestation, and quality control standards applicable to the performance and issuance of audit and attestation reports for entities that are not public companies, e.g. private companies.

The PCAOB's Auditing Standard No. 5 (AS 5), *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*, became effective for fiscal years ending on or after November 15, 2007, and provides guidance regarding the integration of audits of internal control over financial reporting with audits of financial statements. To further emphasize the integration of these two audits, the PCAOB revised AS 5 in December 2010 by adding a statement that "the auditor cannot audit internal control over financial reporting without also auditing the financial statements." Those public companies not required to undergo an audit of internal control over financial reporting must have an audit of their financial statements.

The ASB has separately provided similar guidance in Attestation Section 501 (AT 501), *An Examination of an Entity's Internal Control over Financial Reporting That Is Integrated with an Audit of Its Financial Statements*, which became effective for integrated audits for periods ending on or after December 15, 2008. Consistent with the PCAOB, the ASB states in AT 501 that "[t]he examination of internal control should be integrated with an audit of financial statements" and "[a]n auditor should not accept an engagement to review an entity's internal control or a written assertion thereon." Under the ASB's previous attestation standards, an entity could engage an external auditor to examine and attest to the effectiveness of its internal control over financial reporting

without auditing the entity's financial statements. Thus, at present, unless a private company is required to or elects to have an integrated internal control examination and financial statement audit, the private company may be required to or can choose to have an external auditor perform an audit of its financial statements, but it may not engage an external auditor to perform a standalone internal control examination.

The existing wording of statements 1, 2, and 3 of Schedule RC, Memorandum item 1, reads as follows:

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank.

2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately).

3 = Attestation on bank management's assertion on the effectiveness of the bank's internal control over financial reporting by a certified public accounting firm.

Because these three statements no longer fully and properly describe the types of external auditing services performed for institutions or their parent holding companies under current professional standards and to enhance the information institutions provide the agencies annually about the level of auditing external work performed for them, the agencies are proposing to replace existing statements 1 and 2 with new statements 1a, 1b, 2a, and 2b and to eliminate existing statement 3 effective March 31, 2016. The revised statements would read as follows:

1a = An integrated audit of the reporting institution's financial statements and internal control over financial reporting conducted in accordance with the standards of the American Institute of Certified Public Accountants (AICPA) or the Public Company Accounting Oversight Board (PCAOB) by an independent public accountant that submits a report on the institution.

1b = An audit of the reporting institution's financial statements conducted in accordance with auditing standards of the AICPA or the PCAOB by an independent public accountant that submits a report on the institution.

2a = An integrated audit of the reporting institution's parent holding company's consolidated financial statements and internal control over financial reporting conducted in accordance with the standards of the AICPA or the PCAOB by an independent public accountant that submits a report on the consolidated holding company (but not on the institution separately).¹⁰

2b = An audit of the reporting institution's parent holding company's consolidated financial statements conducted in accordance with the auditing standards of the AICPA or the PCAOB by an independent public accountant that submits a report on the consolidated holding company (but not on the institution separately).

¹⁰ The instructions for statement 2a would indicate this statement also applies to a reporting institution with \$5 billion or more in total assets and a rating lower than 2 under the Uniform Financial Institutions Rating System that is required by Section 36(i)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1831m(i)(1)) to have its internal control over financial reporting audited at the institution level, but undergoes a financial statement audit at the consolidated holding company level.

3. Chief Executive Officer Contact Information

All reporting institutions have been requested to provide “Emergency Contact Information” as part of their Call Report submissions since September 2002. This information request was added to the Call Report so that the agencies could distribute critical, time-sensitive information to emergency contacts at institutions should such a need arise. The primary contact should be a senior official of the institution who has decision-making authority. The primary contact may or may not be the institution’s Chief Executive Officer (CEO). Information for a secondary contact also should be provided if such a person is available at an institution. The emergency contact information is for the confidential use of the agencies and is not released to the public.

The agencies periodically need to communicate with the CEOs of reporting institutions via email, but they currently do not have a complete list of CEO email addresses that would enable an agency to communicate directly to institutions’ CEOs. The CEO communications are initiated or approved by persons at the agencies’ senior management levels and would involve topics including new initiatives, policy notifications, and assessment information. For example, the FDIC initiates distributions of deposit insurance assessment notifications addressed to the CEOs of insured depository institutions, which are posted to each institution’s FDICconnect account. However, in the absence of an up-to-date database of CEO email addresses that can be used for sending assessment notifications, the FDIC currently sends an email to each institution’s FDICconnect user or users and requests that they download the notification and any attachments, and provide them to their CEO.

To streamline the agencies' CEO communication process, the agencies are proposing to request CEO contact information, including email addresses, in the Call Report separately from, but in a manner similar to, the currently requested "Emergency Contact Information" beginning as of December 31, 2015. As with the "Emergency Contact Information," the proposed CEO contact information would be for the confidential use of the agencies and would not be released to the public. The agencies intend for CEO email addresses to be used judiciously and only for significant matters requiring CEO-level attention. Having a comprehensive database of CEO contact information, including email addresses, would allow the agencies to communicate important and time-sensitive information directly to CEOs.

4. Reporting the Legal Entity Identifier

The Legal Entity Identifier (LEI) is a 20-digit alpha-numeric code that uniquely identifies entities that engage in financial transactions. The recent financial crisis spurred the development of a Global LEI System (GLEIS). Internationally, regulators and market participants have recognized the importance of the LEI as a key improvement in financial data systems. The Group of Twenty (G-20) nations directed the Financial Stability Board (FSB) to lead the coordination of international regulatory work and deliver concrete recommendations on the GLEIS by mid-2012, which in turn were endorsed by the G-20 later that same year. In January 2013, the LEI Regulatory Oversight Committee (ROC), including participation by regulators from around the world, was established to oversee the GLEIS on an interim basis. With the establishment of the full Global LEI Foundation

in 2014, the ROC continues to review and develop broad policy standards for LEIs. The OCC, the Board, and the FDIC are all members of the ROC.

The LEI system is designed to facilitate several financial stability objectives, including the provision of higher quality and more accurate financial data. In the United States, the Financial Stability Oversight Council (FSOC) has recommended that regulators and market participants continue to work together to improve the quality and comprehensiveness of financial data both nationally and globally. In this regard, the FSOC also has recommended that its member agencies promote the use of the LEI in reporting requirements and rulemakings, where appropriate.¹¹

Effective beginning October 31, 2014, the Board started requiring holding companies to provide their LEI on the cover pages of the FR Y-6, FR Y-7, and FR Y-10 reports¹² only if a holding company already has an LEI. Thus, if a reporting holding company does not have an LEI, it is not required to obtain one for purposes of these Board reports. Additionally, on July 2, 2015, the Board published in the Federal Register notice of final approval of a proposal to expand the collection of the LEI to all holding company subsidiary banking and nonbanking legal entities reportable on certain schedules of the FR Y-10 and in one section of the FR Y-6 and FR Y-7 if an LEI has already been issued for the reportable entity.¹³ With respect to the Call Report, the agencies are proposing to have institutions provide their LEI on the cover page of the report beginning December 31, 2015, only if an institution already has an LEI. As with

¹¹ Financial Stability Oversight Council 2015 Annual Report, page 14 (<http://www.treasury.gov/initiatives/fsoc/studies-reports/Documents/2015%20FSOC%20Annual%20Report.pdf>).

¹² FR Y-6, Annual Report of Holding Companies; FR Y-7, Annual Report of Foreign Banking Organizations; and FR Y-10, Report of Changes in Organizational Structure (OMB No. 7100-0297).

¹³ 80 FR 38202.

the Board reports, an institution that does not have an LEI would not be required to obtain one for purposes of reporting it on the Call Report.

5. Additional Preprinted Captions for Itemizing and Describing Components of Certain Items That Exceed Reporting Thresholds

As mentioned above in Section III.B, institutions are required to itemize and describe each component of certain items in five Call Report schedules when the component exceeds both a specified percentage of the item and a specified dollar amount. To simplify and streamline the reporting of these components and thereby reduce reporting burden, preprinted captions have been provided for those components of each of these items that, based on the agencies' review of the components previously reported for these items, institutions most frequently itemize and describe. When a preprinted caption is provided for a particular component of an item, an institution is not required to report the amount of that component when the amount falls below the applicable reporting thresholds.

Based on the most recent review of the component descriptions manually entered by reporting institutions because preprinted captions were not available, the agencies plan to add one new preprinted caption to Schedule RI-E, item 1, "Other noninterest income," two new preprinted captions to Schedule RI-E, item 2, "Other noninterest expense," and three new preprinted captions to Schedule RC-F, item 6, "All other assets," effective December 31, 2015.¹⁴ The introduction of these new preprinted captions is intended to

¹⁴ The addition of one of the new preprinted captions to Schedule RC-F, item 6, is based on the expected usage of a component resulting from the FASB's issuance of Accounting Standards Update (ASU)

simplify institutions' compliance with the requirement to itemize and describe those components of these items that exceed the applicable reporting thresholds (which are being proposed to be revised in Section II.B). The new preprinted caption for "Other noninterest income" is "Income and fees from wire transfers." The two new preprinted captions for "Other noninterest expense" are "Other real estate owned expenses" and "Insurance expenses (not included in employee benefits, premises and fixed assets expenses, and other real estate owned expenses)." The three new preprinted captions for "All other assets" are "Computer software," "Accounts receivable," and "Receivables from foreclosed government-guaranteed mortgage loans."

6. Extraordinary Items

In January 2015, the FASB issued ASU No. 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." This ASU eliminates the concept of extraordinary items from U.S. GAAP. At present, ASC Subtopic 225-20, Income Statement – Extraordinary and Unusual Items (formerly Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations"), requires an entity to separately classify, present, and disclose extraordinary events and transactions. An event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. For Call Report purposes, if an event or transaction currently meets the criteria for extraordinary classification, an institution must segregate the extraordinary item from the

No. 2014-14, "Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure," that is in effect for certain institutions and will become effective for other institutions later in 2015 or in 2016 depending, in part, of their fiscal years.

results of its ordinary operations and report the extraordinary item in its income statement in Schedule RI, item 11, “Extraordinary items and other adjustments, net of income taxes.”

ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Thus, for example, institutions with a calendar year fiscal year must begin to apply the ASU in their Call Reports for March 31, 2016.¹⁵ After an institution adopts ASU 2015-01, any event or transaction that would have met the criteria for extraordinary classification before the adoption of the ASU should be reported in Schedule RI, item 5.1, “Other noninterest income,” or item 7.d, “Other noninterest expense,” as appropriate, unless the event or transaction would otherwise be reportable in another item of Schedule RI.

Consistent with the elimination of the concept of extraordinary items in ASU 2015-01, the agencies plan to revise the instructions for Schedule RI, item 11, and remove the term “extraordinary items” from and revise the captions for Schedule RI, item 8, “Income (loss) before income taxes and extraordinary items and other adjustments,” item 10, “Income (loss) before extraordinary items and other adjustments,” and item 11, effective March 31, 2016. After the concept of extraordinary items has been eliminated and such items would no longer be reportable in Schedule RI, item 11, only the results of discontinued operations would be reportable in item 11.¹⁶ Accordingly, effective March 31, 2016, the revised captions for Schedule RI, items 8, 10, and 11, would become “Income (loss) before income taxes and discontinued operations,”

¹⁵ Early adoption of ASU 2015-01 is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

¹⁶ The outdated reference to the reporting of the cumulative effect of certain changes in accounting principles in the instructions for item 11, which is inconsistent with the guidance in the Call Report Glossary entry for “Accounting Changes,” would be deleted from the instructions.

“Income (loss) before discontinued operations,” and “Discontinued operations, net of applicable income taxes,” respectively. Similarly, the caption for Schedule RI-E, item 3, would be changed from “Extraordinary items and other adjustments and applicable income tax effect” to “Discontinued operations and applicable income tax effect.”¹⁷

E. New and Revised Data Items of Limited Applicability

1. Changes to Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis

Schedule RC-Q is completed by institutions that had:

- Total assets of \$500 million or more as of the beginning of their fiscal year; or
- Total assets of less than \$500 million as of the beginning of their fiscal year and either:
 - Have elected to report financial instruments or servicing assets and liabilities at fair value under a fair value option with changes in fair value recognized in earnings, or
 - Are required to complete Schedule RC-D, Trading Assets and Liabilities.

Institutions required to complete Schedule RC-Q are currently required to treat securities they have elected to report at fair value under a fair value option as part of their trading securities. As a consequence, institutions must include fair value information for

¹⁷ Items 3.c.(1) and (2) also would be removed from Schedule RI-E.

their fair value option securities, if any, in Schedule RC-Q two times: first, as part of the fair value information they report for their “Other trading assets” in item 5.b of the schedule, and then on a standalone basis in item 5.b.(1), “Nontrading securities at fair value with changes in fair value reported in current earnings.” This reporting treatment flows from the existing provision of the Glossary entry for “Trading Account” that, as discussed above, requires an institution that has elected to report securities at fair value under a fair value option to classify the securities as trading securities. However, as further discussed above, the agencies are proposing to remove this requirement because it is not consistent with current U.S. GAAP. As a result, an institution’s fair value option securities can be classified as held-to-maturity, available-for-sale, or trading securities in accordance with the guidance in Topic 320, Investments-Debt and Equity Securities.

In its current form, Schedule RC-Q contains an item for available-for-sale securities along with the items identified above for “Other trading assets,” which includes securities designated as trading securities, and “Nontrading securities at fair value with changes in fair value reported in current earnings.” However, Schedule RC-Q does not include an item for held-to-maturity securities because, given the existing instructional requirements for fair value option securities, the held-to-maturity category includes only securities reported at amortized cost. By removing the requirement to report all fair value option securities within the scope of ASC Topic 320 as trading securities, as proposed earlier in this notice, the agencies are further proposing to replace item 5.b.(1) of Schedule RC-Q for nontrading securities accounted for under a fair value option with a new item for any “Held-to-maturity securities” to which a fair value option is applied. In this regard, existing item 1 for “Available-for-sale securities” would be renumbered as

item 1.b and fair value information for any fair value option securities designated as “Held-to-maturity securities” would be reported in a new item 1.a of Schedule RC-Q. These changes to Schedule RC-Q would take effect December 31, 2015.

In addition, at present, institutions that have elected to measure loans (not held for trading) at fair value under a fair value option are required to report the fair value and unpaid principal balance of such loans in Memorandum items 10 and 11 of Schedule RC-C, Part I, Loans and Leases. Because Schedule RC-C, Part I, must be completed by all institutions, Memorandum items 10 and 11 also must be completed by all institutions although only a nominal number of institutions with less than \$500 million in assets have disclosed reportable amounts for any of the categories of fair value option loans reported in the subitems of these two Memorandum items. Accordingly, the agencies are proposing to move Memorandum items 10 and 11 on the fair value and unpaid principal balance of fair value option loans from Schedule RC-C, Part I, to Schedule RC-Q effective December 31, 2015, and to designate them as Memorandum items 3 and 4. With only a limited number of institutions with less than \$500 million in assets meeting the criteria for completing Schedule RC-Q, moving Memorandum items 10 and 11 from Schedule RC-C, Part I, to Schedule RC-Q should simplify Schedule RC-C, Part I, and thereby mitigate some of the reporting burden associated with Schedule RC-C, Part I.

2. Revisions to the Reporting of the Impact on Trading Revenues of Changes in Credit and Debit Valuation Adjustments by Institutions with Total Assets of \$100 Billion or More

Institutions that reported average trading assets of \$2 million or more for any quarter of the preceding calendar year must report a breakdown of their trading revenue (as reported in Schedule RI, item 5.c) by underlying risk exposure in Schedule RI, Memorandum items 8.a through 8.e. The five types of risk exposure are interest rate, foreign exchange, equity security and index, credit, and commodity and other. Institutions required to provide this five-way breakdown of their trading revenue that have \$100 billion or more in total assets must also report the “Impact on trading revenue of changes in the creditworthiness of the bank’s derivative counterparties on the bank’s derivative assets” and the “Impact on trading revenue of changes in the creditworthiness of the bank on the bank’s derivative liabilities” in Schedule RI, Memorandum items 8.f and 8.g, respectively. Memorandum items 8.f and 8.g were intended to capture the amounts included in trading revenue that resulted from calendar year-to-date changes in the reporting institution’s credit valuation adjustments (CVA) and debit valuation adjustments (DVA).

The agencies have found inconsistent reporting of CVAs and DVAs by the institutions completing Memorandum items 8.f and 8.g of Schedule RI, which affects the analysis of reported trading revenues. Some institutions report CVAs and DVAs in these two items on a gross basis while other institutions report these adjustments on a net (of hedging) basis. Furthermore, at present, institutions may report a net CVA and DVA of

hedges under only one of the five types of underlying risk exposures (e.g., the overall net CVA and DVA amount is reported entirely with trading revenue from credit exposures) when the net CVA and net DVA should be properly allocated to each of the five different underlying types of risk exposures.

Consistent reporting of the impact on trading revenue from year-to-date changes in CVAs and DVAs is necessary to ensure the accuracy of the data available to examiners for planning and conducting safety and soundness examinations of institutions' trading activities and to the agencies for their analyses of derivatives and trading activities, and changes therein, at the industry and institution level. Furthermore, proper allocations of CVAs and DVAs (net of hedging) to the appropriate type of underlying risk exposure are necessary to avoid overstating the trading revenue from some types of underlying risk exposure and understating the trading revenue from other types, which may result in examiners and agency analysts reaching improper conclusions about the effectiveness of institutions' trading activities and their management of CVA and DVA risks.

To enhance the quality of the trading revenue information reported by the largest institutions in the U.S., promote consistency across institutions in the reporting of CVAs and DVAs, enable examiners to make more informed judgments about institutions' effectiveness in managing CVA and DVA risks, and provide a more complete picture of reported trading revenue, the agencies are proposing to replace existing Memorandum items 8.f and 8.g of Schedule RI with a tabular set of data items effective March 31, 2016. In this proposed table, those institutions that meet the criteria for completing these two Memorandum items (i.e., institutions that reported average trading assets of \$2 million or more for any quarter of the preceding calendar year and have \$100 billion

or more in total assets) would separately present their gross CVAs and DVAs (Memorandum items 8.f.(1) and 8.g.(1)) and any related CVA and DVA hedging results (Memorandum items 8.f.(2) and 8.g.(2)) by type of underlying risk exposure. The institutions also would report its gross trading revenue (Memorandum item 8.h) by type of underlying risk exposure before including positive or negative net CVAs and net DVAs (columns A through E). The sum of the amounts reported in Memorandum item 8.h, “Gross trading revenue,” plus the net CVA of hedges (the sum of columns A through E of Memorandum item 8.f.(1) minus the sum of columns A through E of Memorandum item 8.f.(2)), and plus the net DVA of hedges (the sum of the columns A through E of Memorandum item 8.g.(1) minus the sum of columns A through E of Memorandum item 8.g.(2)) must equal Schedule RI, item 5.c, “Trading revenue.” For purposes of this proposed tabular set of data items, the agencies are further proposing to require CVA and DVA amounts, as well as their hedges, to be allocated to the type of underlying risk exposure (e.g., interest rates, foreign exchange, and equity) that gives rise to the CVA and the DVA.

In proposing that the institutions with assets of \$100 billion or more report expanded information on the impact on trading revenues of changes in CVAs and DVAs, related hedging results, and gross trading revenues, the agencies request comment on the availability of these data by type of underlying risk exposure at those institutions that would be subject to this reporting requirement.

3. Dually Payable Deposits in Foreign Branches of U.S. Banks

Under the Federal Deposit Insurance Act (FDI Act), deposit obligations carried on the books and records of foreign branches of U.S. banks are not considered deposits, unless the funds are payable both in the foreign branch and at an office of the bank in the United States (that is, they are dually payable). In September 2013, the FDIC issued a final rule amending its deposit insurance regulations to clarify that deposits carried on the books and records of a foreign branch of a U.S. bank are not insured deposits even if they are made payable both at that branch and at an office of the bank in any state of the United States.¹⁸ In addition, the final rule provides an exception for Overseas Military Banking Facilities operated under Department of Defense regulations.

The final rule does not affect the ability of a U.S. bank to make a foreign deposit dually payable. Should a bank do so, its foreign branch deposits would be treated as deposit liabilities under the FDI Act's depositor preference regime in the same way as, and on an equal footing with, domestic uninsured deposits. In general, "depositor preference" refers to a resolution distribution regime in which the claims of depositors have priority over (that is, are satisfied before) the claims of general unsecured creditors. Thus, if deposits held in foreign branches of U.S. banks located outside the United States are made dually payable, that is, made payable at both the foreign office and a branch of the bank located in the United States, the holders of such deposits would receive depositor preference in the event of the U.S. bank's failure.

To enable the FDIC to monitor the volume and trend of dually payable deposits in the foreign branches of U.S. banks, the agencies are proposing to add a new

¹⁸ See 78 FR 56583 (September 13, 2013).

Memorandum item 2 to Schedule RC-E, Part II, on the FFIEC 031 Call Report effective December 31, 2015. The FFIEC 031 is applicable only to banks with foreign offices. The proposed new information on the amount of dually payable deposits at foreign branches of U.S. banks would enable the FDIC to determine, as required by statute, the least costly method of resolving a particular bank if it fails and the potential loss to the Deposit Insurance Fund. This requires the FDIC to plan for the distribution of the proceeds from the liquidation of the failed bank's assets, including consideration not only of insured deposits, but also other deposit liabilities for purposes of depositor preference, such as domestic uninsured deposits and dually payable deposits in foreign branches of the particular U.S. bank, which take priority over general unsecured liabilities.

4. Revisions to Implement the Supplementary Leverage Ratio for Advanced Approaches Institutions

Schedule RC-R, Part I, item 45, applies to the reporting of the supplementary leverage ratio (SLR) by advanced approaches institutions.¹⁹ In the sample Call Report forms and the Call Report instruction book for report dates before March 31, 2015, the caption for item 45 and the instructions for this item both indicated that, effective for report dates on or after January 1, 2015, advanced approaches institutions should begin to report their SLR in the Call Report as calculated for purposes of Schedule A, item 98, of

¹⁹ In general, an advanced approaches institution (i) has consolidated total assets (excluding assets held by an insurance underwriting subsidiary) on its most recent year-end regulatory report equal to \$250 billion or more; (ii) has consolidated total on-balance sheet foreign exposure on its most recent year-end regulatory report equal to \$10 billion or more (excluding exposures held by an insurance underwriting subsidiary); (iii) is a subsidiary of a depository institution that uses the advanced approaches to calculate its total risk-weighted assets; (iv) is a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches to calculate its total risk-weighted assets; or (v) elects to use the advanced approaches to calculate its total risk-weighted assets.

the FFIEC 101, Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework.²⁰ However, the agencies temporarily suspended the collection of Schedule RC-R, Part I, item 45, before it took effect March 31, 2015, due to amendments to the SLR rule²¹ and the need for updates to the associated SLR data collection in the FFIEC 101.

The agencies have finalized the most recent revisions to the SLR rule, which requires all advanced approaches institutions to disclose three items: the numerator of the SLR (Tier 1 capital, which is already reported in Call Report Schedule RC-R), the denominator of the SLR (total leverage exposure), and the ratio itself.²² As part of the revisions to the FFIEC 101, the SLR section of the FFIEC 101 will apply only to top-tier advanced approaches institutions (generally, bank and savings and loan holding companies), and not to their subsidiary depository institutions. Therefore, lower tier advanced approaches depository institutions generally will not report SLR data in the FFIEC 101, and will need to do so in the Call Report, which would satisfy the SLR disclosure requirement in the revised SLR rule.²³

Thus, the agencies are proposing to add a new item 45.a to Schedule RC-R, Part I, in which an advanced approaches depository institution (regardless of parallel run status) would report total leverage exposure as calculated under the agencies' SLR rule.

The agencies also are proposing to renumber current item 45 of Schedule RC-R, Part I, as item 45.b, to collect an institution's SLR. The ratio to be reported in item 45.b

²⁰ OMB numbers: For the OCC, 1557-0239; for the Board, 7100-0319; and for the FDIC, 3064-0159.

²¹ See 79 FR 57725 (September 26, 2014). The amendments to the SLR rule took effect January 1, 2015.

²² See 80 FR 41409 (July 15, 2015). The disclosure requirement is set forth in the agencies' regulatory capital rules (12 CFR 3.172 (OCC); 12 CFR 217.172 (Board), and 12 CFR 324.172 (FDIC)).

²³ Because certain depository institutions are exempt from filing the FFIEC 101, but must still report their SLR components and ratio, the agencies are proposing the depository institution-level collection of SLR data in the Call Report rather than in the FFIEC 101.

would equal Tier 1 capital reported on Schedule RC-R, Part I, item 26, divided by total leverage exposure reported in proposed item 45.a. Renumbered item 45.b would no longer reference the FFIEC 101 because lower tier depository institutions would no longer be calculating or reporting their SLRs on the FFIEC 101.

The reporting of the proposed SLR information would take effect March 31, 2016.

IV. Request for Comment

Public comment is requested on all aspects of this joint notice. Comments are invited on:

- (a) Whether the proposed revisions to the collections of information that are the subject of this notice are necessary for the proper performance of the agencies' functions, including whether the information has practical utility;
- (b) The accuracy of the agencies' estimates of the burden of the information collections as they are proposed to be revised, including the validity of the methodology and assumptions used;
- (c) Ways to enhance the quality, utility, and clarity of the information to be collected;
- (d) Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and
- (e) Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Comments submitted in response to this joint notice will be shared among the agencies. All comments will become a matter of public record.

[THIS SIGNATURE PAGE PERTAINS TO THE JOINT NOTICE AND REQUEST FOR COMMENT, "PROPOSED AGENCY INFORMATION COLLECTION ACTIVITIES; COMMENT REQUEST," FOR THE CONSOLIDATED REPORTS OF CONDITION AND INCOME]

Dated:

Stuart Feldstein,
Director, Legislative and Regulatory Activities Division,
Office of the Comptroller of the Currency.

[THIS SIGNATURE PAGE PERTAINS TO THE JOINT NOTICE AND REQUEST FOR COMMENT, “PROPOSED AGENCY INFORMATION COLLECTION ACTIVITIES; COMMENT REQUEST,” FOR THE CONSOLIDATED REPORTS OF CONDITION AND INCOME]

Board of Governors of the Federal Reserve System, _____, 2015.

Robert deV. Frierson, Secretary of the Board.

[THIS SIGNATURE PAGE PERTAINS TO THE JOINT NOTICE AND REQUEST FOR COMMENT, “PROPOSED AGENCY INFORMATION COLLECTION ACTIVITIES; COMMENT REQUEST,” FOR THE CONSOLIDATED REPORTS OF CONDITION AND INCOME]

Dated at Washington, D.C., this day of , 2015.

FEDERAL DEPOSIT INSURANCE CORPORATION

Robert E. Feldman
Executive Secretary

Billing Codes

OCC: 4810-33-P 1/3
Board: 6210-01-P 1/3
FDIC: 6714-01-P 1/3