

CC Docket No. 96-61 (Integrated Rate Plans).

Form No.: N/A.

Type of Review: New Collection.

Respondents: businesses or other for profit.

Number of Respondents: 6.

Estimated Hour Per Response: 70 hours.

Total Annual Burden: 720 hours.

Needs and Uses: Section 254(g) of the 1934 Communications Act, as amended, and our rules extend rate integration to all U.S. territories and possessions. We will require certain carriers to submit no later than February 1, 1997, preliminary plans to achieve rate integration by August 1, 1997, and final plans no later than June 1, 1997. These plans will permit the Commission to review progress toward achieving rate integration.

Federal Communications Commission.

William F. Caton,

Acting Secretary.

[FR Doc. 96-22428 Filed 9-3-96; 8:45 am]

BILLING CODE 6712-01-P

## FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

### Schedule on Trust Income and Expense

AGENCY: Federal Financial Institutions Examination Council.

ACTION: Final action.

**SUMMARY:** The Federal Financial Institutions Examination Council (FFIEC)<sup>1</sup> has approved the addition of Schedule E, "Fiduciary Income Statement," to the Annual Report of Trust Assets (form FFIEC 001), effective for the December 31, 1996, report date. The new trust income statement must be completed only by those banks and savings associations with \$100 million or more in total trust assets and by all nondeposit trust companies. In general, institutions will report trust fees by type of trust account, three general categories of expense, and the amount of settlements, surcharges, and other losses gross and net of recoveries. If an institution's aggregate losses are

\$100,000 or more in any year, individual losses of \$10,000 or more must be reported by type of account. The information reported by individual institutions in Schedule E will not be publicly available, but aggregate data will be published by the FFIEC. The new trust income schedule is intended to enable the agencies to better target their supervision of trust activities to those areas that pose greater risk to institutions.

**EFFECTIVE DATE:** For the Annual Report of Trust Assets (form FFIEC 001) to be prepared as of December 31, 1996.

**FOR FURTHER INFORMATION CONTACT:**

Board: Donald R. Vinnedge, Manager, Trust Activities Program, (202) 452-2717; William R. Stanley, Supervisory Trust Analyst, Trust Activities Program, (202) 452-2744.

FDIC: John F. Harvey, Trust Review Examiner, Division of Supervision, (202) 898-6762.

OCC: William F. Granovsky, National Bank Examiner, Fiduciary Activities, (202) 874-4447.

OTS: Larry A. Clark, Program Manager, Compliance and Trust, (202) 906-5628.

**SUPPLEMENTARY INFORMATION:**

**Background**

There are approximately 3,000 banks, savings associations, and trust companies that actively engage in trust activities. These institutions administered \$11.6 trillion of assets as of December 31, 1994, or nearly three times the commercial banking industry's on-balance sheet assets. The information that the agencies have been collecting from institutions engaging in trust activities has been limited to data reported in the Annual Report of Trust Assets (form FFIEC 001) showing discretionary and nondiscretionary trust assets by various types of accounts.

The off-balance sheet nature of fiduciary activities has presented certain impediments to the agencies in the development and implementation of fiduciary and related supervision policy. The lack of uniform, consistent and industry-wide information on fiduciary income and expenses has precluded effective analysis of fiduciary profitability and risk management for an individual institution, a peer group, and the entire industry. It also has hampered the agencies' ability to measure the risk associated with particular lines of fiduciary business and to evaluate the functional activities causing losses. Thus, the agencies have not been able to ensure that they have targeted their supervision of trust activities to those

areas that pose greater risks to institutions.

**Proposed Schedule on Trust Income and Expense**

On June 29, 1995, the FFIEC published a request for comment on a proposed Schedule E, "Fiduciary Income Statement," that would be added to the Annual Report of Trust Assets and prepared on a calendar year basis beginning with the year ending December 31, 1996 (60 FR 34252). The comment period closed on August 29, 1995.

The FFIEC proposed that this schedule be required to be filed by all institutions with \$100 million or more in total trust assets as reported on Schedule A, "Annual Report of Trust Assets," on form FFIEC 001. In addition, all nondeposit trust companies, whether or not they report any assets on Schedule A, would be required to file Schedule E. Under this proposal, less than one third of all institutions actively engaging in trust activities were to be required to report trust income and expense on the new schedule, but these institutions accounted for approximately 99 percent of all trust assets.

The proposal called for institutions to provide a breakdown of fiduciary income along six categories that correspond to the existing account classifications on Schedule A, "Annual Report of Trust Assets," and Schedule C, "Corporate Trusts," of the form FFIEC 001. This would permit the agencies to compare income data with information on assets managed and to enhance their understanding of the operations of individual institutions.

Expense information was proposed to be broken out by three categories: (1) Salaries and Employee Benefits, (2) Other Direct Expense, and (3) Allocated Indirect Expense. This would permit the development of efficiency or overhead ratios comparable to those commonly used in the analysis of commercial bank operations.

The proposed schedule included two types of breakdowns of losses resulting from surcharges and settlements (e.g., replenishment of losses incurred by fiduciary customers). For the first breakdown, these losses were to be separately reported for ten categories of fiduciary activities, including eight types of accounts reported on Schedule A, "Annual Report of Trust Assets," and corporate trusts reported on Schedule C of the form FFIEC 001. For the second breakdown, loss data were to be reported for three types of losses: (1) Investment, (2) Administrative, and (3) Operational. If an institution or group of

<sup>1</sup> The FFIEC consists of representatives from the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS) (referred to as the "agencies"), and the National Credit Union Administration. However, this reporting requirement is not applicable to credit unions. Section 1006(c) of the Federal Financial Institutions Examination Council Act requires the FFIEC to develop uniform reporting standards for federally-supervised financial institutions.

institutions show loss data or trends in loss data for certain categories of fiduciary activities or certain types of losses, this information should help the agencies develop and implement appropriate supervisory policies and examination emphasis.

Since the trust income and expense information proposed for collection generally pertains to only a portion of a reporting institution's total operations, the proposal stated that the data reported in Schedule E by individual institutions would be regarded as confidential by the FFIEC and the agencies. Aggregate information, however, would be published annually in an FFIEC publication entitled "Trust Assets of Financial Institutions."

#### Public Comments

The FFIEC solicited comment on all aspects of the proposed trust income schedule and specifically requested comments on seven issues. The FFIEC received 58 comments on the proposal, 56 from institutions or the parent holding companies of institutions that engage in trust activities and two from bank trade associations.

Comments submitted by the largest institutions dealt primarily with the initial cost of establishing data collection systems in environments where many of them are no longer structured along traditional trust business or reporting lines. Most respondents of all sizes indicated that required income and expense information was available, but that it might need to be reformatted to be used for reporting in the proposed schedule and that the reporting burden in years after the first year would diminish significantly. Several respondents indicated that, while available, expense information might not be meaningful due to the wide variety of indirect expense allocation formulas in use throughout the industry. The settlements, surcharges, and other losses portion of the proposed schedule generated six comments indicating that manual collection procedures would have to be utilized because of the unique nature of this information. The confidentiality of the Schedule E data was a concern of several respondents.

The first issue for which comments were specifically requested—the availability of the information proposed to be collected—elicited comments from 13 respondents. Eleven of these indicated that the information was already available, although three stated that it would have to be obtained manually. Only two respondents indicated that none of the information to be collected in the proposed schedule

would be readily available. Four respondents stated that the data on settlements, surcharges, and other losses would cause difficulties because the records they maintain do not use the categories that were proposed in the schedule. In addition, three respondents also believed that the information on expenses, gross losses, and recoveries was not readily available to them and would be difficult to obtain.

Only five respondents supplied information concerning the second issue for which comments were requested—the cost and time required to implement any needed changes in institutions' recordkeeping systems to provide the information requested in proposed Schedule E. Two of these respondents indicated that there would be little or no cost and time involved. One stated that five to six hours would be needed while another reported that 20 hours would be needed to make the needed changes. One respondent only stated that extensive time plus changes to computer systems would be needed to obtain the required information.

Ten respondents commented on the third issue for which comments were requested—the cost and time that would be required to complete the proposed schedule each year after the initial year. Five of these respondents indicated that there would be either minimal or no additional time or cost involved. The other five respondents gave cost estimates for preparing the new schedule along with time commitments ranging from one hour to 48 hours per year.

Seven commenters expressed opinions about the fourth issue for which comment was requested—the feasibility of providing the information in the proposed schedule for the calendar year ending December 31, 1996. Four of these commenters indicated that this would not present any problem for them since the information is already available, with one stating that most banking institutions already produce the requested information in a similar format. Two commenters indicated that the schedule would not present any problem for them, provided that they were given sufficient lead time. They noted that sufficient lead time would perhaps be 12 months. One respondent stated that there would be no problem with supplying the information with the exception of the proposed data on settlements, surcharges, and other losses.

Nine respondents expressed opinions on the fifth issue for which comment was requested—the proposed reporting threshold for depository institutions of

\$100 million in total trust assets. Of these nine, five indicated that the \$100 million threshold was appropriate since it would eliminate the small institutions while including the majority of trust assets. One respondent stated that institutions below this level should be asked to file the schedule on a voluntary basis. Three respondents stated that the threshold level was too low and should be raised. One respondent believed that there should be no threshold level and that all trust institutions should be required to file the schedule.

Only three respondents commented on the sixth issue for which comment was requested—the proposed requirement that all nondeposit trust companies, regardless of size, file the trust income schedule. Each respondent felt that all of the trust companies should be required to supply income and expense information.

Finally, seven respondents replied to the seventh issue for which comment was requested—the adequacy and clarity of the proposed instructions. Each one indicated that the instructions were clearly written, adequate in scope and detail, and easy to follow. No suggestions were made for improvement.

A total of fourteen respondents supplied other comments covering a wide range of topics in addition to those detailed above. One objected to the inclusion of allocated expenses as well as to the amount of detail required for settlements, surcharges, and other losses. Another respondent, however, felt that there should be a more detailed breakdown of expenses. One respondent suggested that a threshold level should be used for the reporting of losses so that small items would be eliminated. Another respondent felt that the proposed single item on total non-fiduciary income, which would be applicable to non-deposit trust companies only, should be eliminated completely since it is often only an estimate. On the other hand, one commenter felt that this item should be expanded to detail all types of non-fiduciary income.

#### Final Action

After reviewing the comments received and giving further consideration to the issues involved, on December 15, 1995, the FFIEC approved the addition of Schedule E to the Annual Report of Trust Assets (form FFIEC 001), effective for the December 31, 1996, report date. All banks, savings associations, and trust companies engaged in trust activities were directly notified of the FFIEC's decision on December 28, 1995, in Financial

Institutions Letter (FIL) 85-95. Copies of FIL-85-95 may be obtained from the FDIC's Office of Corporate Communications, Public Information Center, 801 17th Street, N.W., Washington, D.C. 20434-0001, (202) 416-6940.

As proposed, the new trust income statement must be completed only by those depository institutions with \$100 million or more in total trust assets and by all nondeposit trust companies. Also as proposed, the information reported by individual institutions in Schedule E will not be publicly available, but aggregate data will be included in "Trust Assets of Financial Institutions," which is published annually by the FFIEC.

However, the version of Schedule E adopted by the FFIEC incorporates changes made to the proposal to address commenters' concerns about reporting burden. First, the proposed breakdown of settlements, surcharges, and other losses by type of loss, i.e., Investment, Administrative, and Operational Losses, was eliminated. Second, a threshold of \$100,000 was established for reporting the breakdown of losses incurred by type of fiduciary activity. Thus, only if an institution's aggregate losses are greater than \$100,000 in any year must individual losses greater than \$10,000 be reported by type of fiduciary activity.

Finally, in recognition of the limited amount of time between the date of the FFIEC's final action and the beginning of the initial calendar year for which trust income statement data must be compiled, i.e., January 1, 1996, the FFIEC decided that institutions may report reasonable estimates in Schedule E for 1996 if the requested information is not readily available. Institutions were advised of this decision in FIL-85-95.

In approving the trust income reporting requirement, the Examination Council noted that the trust activities of federally-supervised financial institutions have grown substantially in recent years, both in terms of the types and volume of assets administered and the variety and sophistication of investment services offered. Trust assets administered by the industry have grown by 74 percent over the five years from 1989 to 1994, including increases of 12 percent from 1992 to 1993 and 10 percent from 1993 to 1994. At year-end 1994, 2,892 institutions administered total trust assets of \$11.6 trillion, with the 886 institutions with \$100 million or more in trust assets holding more than 99 percent of this total. Trust activities have also been an important source of fee income for financial institutions with trust powers. For the 50 largest bank holding companies,

gross trust fee income of \$10.8 billion was nearly 20 percent of noninterest income in 1994, and this dollar amount was 83 percent higher than the \$5.9 billion in trust fee income earned in 1989.

#### Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35), the current Annual Report of Trust Assets required from those institutions with trust powers and under the supervision of one of the agencies has been submitted to, and approved by, the U.S. Office of Management and Budget (OMB). (OMB Control Numbers: for the Board, 7100-0031; for the OCC, 1557-0127; for the FDIC, 3064-0024; and for the OTS, 1550-0026.) Each of the agencies is submitting the Annual Report of Trust Assets, revised to include Schedule E, "Fiduciary Income Statement," to OMB for its review.

Schedule E and its accompanying (draft) instructions are illustrated as follows:

Dated: August 29, 1996.

Joe M. Cleaver,

*Executive Secretary, Federal Financial Institutions Examination Council.*

**BILLING CODE 6210-01-P**

# SCHEDULE E - FIDUCIARY INCOME STATEMENT

Reporting Year 199\_ (Confidential Information)

Dollar Amounts in Thousands

**1. GROSS FEES, COMMISSIONS AND OTHER FIDUCIARY INCOME**

- (a) Employee Benefit Trust Accounts \_\_\_\_\_
- (b) Personal Trust & Estate Accounts \_\_\_\_\_
- (c) Employee Benefit Agencies \_\_\_\_\_
- (d) Other Agency Accounts \_\_\_\_\_
- (e) Corporate Trust & Agency Accounts \_\_\_\_\_
- (f) All Other Fiduciary Income \_\_\_\_\_
- (g) **Total Fiduciary Income** (Sum of items 1(a) through 1(f)) \_\_\_\_\_

**2. EXPENSES**

- (a) Salaries and Employee Benefits \_\_\_\_\_
- (b) Other Direct Expense \_\_\_\_\_
- (c) Allocated Indirect Expense \_\_\_\_\_
- (d) **Total Expense** (Sum of items 2(a) through 2(c)) \_\_\_\_\_

**3. SETTLEMENTS, SURCHARGES & OTHER LOSSES**

- (a) Gross Settlements, Surcharges & Other Losses \_\_\_\_\_ \*
- (b) Recoveries to Reported Losses \_\_\_\_\_
- (c) **Net Settlements, Surcharges & Losses** \_\_\_\_\_

\* (If the amount in item 3(a) is \$100 thousand or more, details of this item must be provided in item 7 below)

**4. NET OPERATING INCOME (LOSS)** (Item 1(g) minus items 2(d) and 3(c)) \_\_\_\_\_

**5. CREDIT FOR OWN-INSTITUTION DEPOSITS** \_\_\_\_\_

**6. NET TRUST INCOME (LOSS)** (Item 4 plus item 5) \_\_\_\_\_

**7. Settlements, Surcharges & Other Losses**

(To be completed if the amount in item 3(a) above is \$100 thousand or more - see instructions)

<u>By Type of Account</u>	<u>Discretionary</u>	<u>Non-Discretionary</u>
Employee Benefit Trust Accounts	(a) _____	(e) _____
Personal Trust & Estate Accounts	(b) _____	(f) _____
Employee Benefit Agencies	(c) _____	(g) _____
Other Agency Accounts	(d) _____	(h) _____
Corporate Trust & Agency Accounts (i) _____		
All Other Activities (j) _____		
(Total of amounts in items 7(a) through 7(j) must equal item 3(a) above)		

**MEMO ITEM FOR ENTRY BY NON-DEPOSIT TRUST COMPANIES ONLY - SEE INSTRUCTIONS**

**8. NON-FIDUCIARY INCOME** \_\_\_\_\_

## Annual Report of Trust Assets—Form FFIEC 001 Specific Instructions

## Schedule E—Fiduciary Income Statement

**Who Must Report:** This Schedule must be completed by each financial institution with more than \$100 million in Total Trust Assets as reported on Schedule A (Line 18, Column F). In addition, all non-deposit trust companies, whether or not they report any assets on Schedule A, must also file Schedule E. Institutions which are not required to file Schedule E are encouraged to file it on a voluntary basis.

**Public Availability of Schedule E:** The information on Schedule E is confidential and will not be publicly available. The aggregate information will be included in the annual FFIEC publication, *Trust Assets of Financial Institutions*.

**Instructions:** Institutions filing Schedule E must complete *all* portions of the Schedule. Enter a zero on any line item that does not apply to your institution.

## 1. Gross Fees, Commission and Other Fiduciary Income

## 1(a through e) Trust and Agency Accounts

Gross fees, commissions and other fiduciary income data is to be reported by line of business. Please refer to the instructions for Schedules A and C for guidance in defining these lines of business. For employee benefit trust accounts, see Schedule A, column A; for personal trust & estate accounts, see Schedule A, columns B and C; for other agency accounts, see Schedule A, column E; and for corporate trust and agency accounts, see Schedule C.

Fees received for IRA, Keogh Plan or other accounts that are not administered by the trust department should be excluded from this Schedule. If these accounts require the bank to have trust powers, then their fees should be reported on this Schedule.

## 1(f) All Other Fiduciary Income

Report all other direct income derived from other fiduciary sources not included in any of the above categories (e.g. 12b-1 fees and income from providing fiduciary services under agreement with another institution). Include all internal allocations of income to the trust function (such as transfer agent or pension plan administration credits), except for credits for deposits held in own or affiliated institutions, which are to be reported on line 5.

## 1(g) Total Fiduciary Income

The total of lines 1(a) through 1(f). (It should be noted that banks with more than \$100 million in commercial bank assets are required to itemize "Income from fiduciary activities" in the quarterly FFIEC Report of Condition and Income ("Call Report") on line 5(a) of Schedule RI. Instructions for fiduciary income to be reported on line 5(a) of Call Report Schedule RI differ from those for line 1(g) of this Schedule with respect to allocated income. Consequently, banks should be aware that the amounts reported in these two items will differ by the amount of such allocated income.)

## 2. Expenses

## 2(a) Salaries and Employee Benefits

Include salaries, bonuses, hourly wages, overtime pay, and incentive pay for officers and employees of the trust department. If officers or employees spend only a portion of their time in the trust department, allocate that proportional share of their salaries and employee benefits. Expenses associated with employee benefit plans (pension, profit-sharing, 401(k), ESOP, etc.), health and life insurance, Social Security and unemployment taxes, tuition reimbursement, and all other so-called fringe benefits, should be included on this line.

## (b) Other Direct Expense

In general, direct expenses are immediately identifiable as costs expended for and under the control of the trust function. These include expenses related to the use of trust premises, furniture, fixtures, and equipment, as well as depreciation/amortization, ordinary repairs and maintenance, service or maintenance contracts, utilities, lease or rental payments, insurance coverage, and real estate and other property taxes if they are directly chargeable to the trust function.

## 2(c) Allocated Indirect Expense

Allocated indirect expenses are those charged to the trust function from other departments of the institution as reflected in the institution's internal management accounting system. These include any allocation for the trust function's proportionate share of corporate expenses that cannot be directly charged to particular departments or functions. If the institution's internal accounting system is not able to provide this information, the institution may use a reasonable alternate method to estimate indirect expenses.

Indirect expenses include audit and examination fees, marketing, charitable contributions, customer parking, holding company overhead, and, in many cases, functions such as personnel, corporate planning, and corporate financial staff. Other indirect expenses include the trust function's proportionate share of building rent or depreciation, utilities, real estate taxes, and insurance.

If no direct expense is shown for occupancy on line 2(b) and the institution's internal accounting system does not provide an allocated amount, an allocated occupancy expense based on proportionate floor space used by the trust function or some other reasonable alternate method should be shown on line 2(c).

## 2(d) Total Expense

The total of lines 2(a) through 2(c).

## 3. Settlements, Surcharges &amp; Other Losses

See the instructions for line 7 for information about the reporting of settlements, surcharges and other losses.

## 3(a) Gross Settlements, Surcharges &amp; Other Losses

Report the total losses prior to any adjustments for recoveries. If the amount shown on this line is \$100,000 or more, a breakdown of this amount should be shown on line 7 below. The amount shown on this

line should then agree to the total of the details shown in that box.

## 3(b) Recoveries to Reported Losses

Show all recoveries received on reported losses, including recoveries on prior years' losses.

3(c) Net Settlements, Surcharges & Losses  
Line 3(a) less 3(b).

## 4. Net Operating Income (Loss)

Line 1(g) minus lines 2(d) and 3. If the result is less than zero, the figure should be shown in parentheses.

## 5. Credit For Own-Institution Deposits

Uninvested cash belonging to fiduciary accounts is available to the commercial banking side of the institution for investment, trust functions are often given credit for the use of these monies. When this credit is given to the trust department or trust company as part of the bank's profit tracking system, it should be reported on line 5. Do not include actual interest earned on fiduciary funds on deposit, as this income would normally belong to the fiduciary account.

## 6. Net Trust Income (Loss)

Report the total amount of trust income or loss, prior to any income taxes, experienced by the trust function for the full year. The number for this line is the result of adding line 5 to the sub-total shown on line 4. If the total on line 6 is less than zero, the resulting figure should be shown in parentheses.

## 7. Settlements, Surcharges &amp; Other Losses

This box should only be completed where total settlements, surcharges and other losses for the reporting year on line 3(a) are \$100,000 or more. If they are, report individual gross losses of \$10,000 or more on lines (a) through (j). Report individual gross losses of less than \$10,000 on line (j). These amounts should not be shown net of any recoveries or insurance payments. Legal expenses should be included on line 2(b) or 2(c). Do not include contingent liabilities related to outstanding litigation.

Report settlements, surcharges, and other losses arising from errors, misfeasance or malfeasance according to the type of account and capacity. The sum of lines 7(a) through 7(j) should equal the total shown on line 3(a) above.

## Memo Item to be Completed by Non-Deposit Trust Companies Only

## 8. Non-Fiduciary Income

Stand alone or non-deposit trust companies, whose activities are limited to providing fiduciary services, may have income not directly attributable to the furnishing of fiduciary services. This income should be reported on this line 8 as a memo figure and should not be included in the data shown on lines 1 through 6.

[FR Doc. 96-22518 Filed 9-3-96; 8:45 am]

BILLING CODE 6210-01-P