commenters in the same docket questioned NHTSA's research in justifying the proposed release timing requirement. Freightliner indicates that one commenter stated that it is difficult to determine the effect of trailer release timing and tractor/trailer release differentials on compatibility and suggested testing indicated 0.90 second is sufficient. Freightliner also indicates that another commenter argued that a 1.00 second release timing would be more practical and accomplish the objective of the proposal, and that NHTSA stated that:

> A short glad hand release time is not as important for safety and, in fact, it is not desirable to have the glad hand release before the tractor brakes.

Freightliner believes that requiring the rearmost vehicle to release last tends to ''stretch'' out the unit (vehicle combination) and make it more stable, and that slower than the required release time may actually help overall stability.

Freightliner summarizes its petition by stating that an estimated 280 to 2170 tractors were manufactured without quick release valves such that the glad hand release timing may be slightly higher than the 0.75 second specified in FMVSS No. 121, and that nearly all (99.6 percent) do not exceed 0.90 second. Freightliner believes that this timing difference of 0.0 to 0.15 second has no discernable or measurable effect on braking performance and thus no detrimental effect on highway safety. Therefore, it requests that we grant its petition to exempt it from the notification and remedy requirements of the Motor Vehicle Safety Act.

Comments and Docket Submissions

Interested persons are invited to submit written data, views, and arguments on Freightliner's petition for inconsequential noncompliance described above. Comments should refer to the Docket Number and be submitted to Docket Management at the address given above under **ADDRESSES**.

All comments received before the close of business on the closing date indicated below will be considered. The application, supporting materials, and comments also will be filed in the docket. Comments received after the closing date will also be filed and considered to the extent possible. When the petition is granted or denied, the notice will be published in the **Federal Register** pursuant to the authority indicated below.

Comment closing date: June 30, 2000.

(15 U.S.C. 1417; delegation of authority at 49 CFR 1.50 and 49 CFR 501.8)

Issued on: May 23, 2000.

Stephen R. Kratzke,

Associate Administrator for Safety Performance Standards.

[FR Doc. 00–13536 Filed 5–30–00; 8:45 am]

BILLING CODE 4910–59–P

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: Notice and request for comment.

SUMMARY: In accordance with the requirements of the Paperwork Reduction Act 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 proposed revisions to the Consolidated Reports of Condition and Income (Call Report), which are currently approved collections of information. At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the FFIEC should modify the proposed revisions prior to giving its final approval. The agencies will then submit the revisions to OMB for review and approval.

DATES: Comments must be submitted on or before July 31, 2000.

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: Written comments should be submitted to the Communications Division, Office of the Comptroller of the Currency, 250 E Street, SW, Third Floor, Attention: 1557–0081, Washington, DC 20219. In addition, comments may be sent by facsimile transmission to (202) 874–5274, or by electronic mail to regs.comments@occ.treas.gov. Comments will be available for inspection and photocopying at the OCC's Public Reference Room, 250 E Street, SW, Washington, DC 20219 between 9 a.m. and 5 p.m. on business days. Appointments for inspection of comments may be made by calling (202) 874–5043.

Board: Written comments should be addressed to Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, submitted by electronic mail to regs.comments@federalreserve.gov, or delivered to the Board's mail room between 8:45 a.m. and 5:15 p.m., and to the security control room outside of those hours. Both the mail room and the security control room are accessible from the courtyard entrance on 20th Street between Constitution Avenue and C Street, NW. Comments received may be inspected in room M–P–500 between 9 a.m. and 5 p.m., except as provided in section 261.12 of the Board's Rules Regarding Availability of Information, 12 CFR 261.12(a).

FDIC: Written comments should be addressed to Robert E. Feldman, Executive Secretary, Attention: Comments/OES, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429. 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 a.m. and 5 p.m. [FAX number: (202) 898–3838; Internet address: comments@fdic.gov]. Comments may be inspected and photocopied in the FDIC Public Information Center, Room 100, 801 17th Street, NW, Washington, DC, between 9 a.m. and 4:30 p.m. on business days.

A copy of the comments may also be submitted to the OMB desk officer for the agencies: Alexander T. Hunt, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 3208, Washington, DC 20503.

FOR FURTHER INFORMATION CONTACT: Draft copies of the two versions of the Call Report forms that are proposed to replace the current four versions of the Call Report may be obtained at the FFIEC's web site (www.ffiec.gov) and at the FDIC's web site.[1] Draft copies of

[1] On the FDIC's web site, draft copies of the proposed Call Report forms will be attachments to the Financial Institution Letter that transmits this proposal to all institutions that file Call Reports.

Continued

these proposed revised Call Report forms also may be requested from any of the agency clearance officers whose names appear below.

OCC: Jessie Dunaway, OCC Clearance Officer, or Camille Dixon, (202) 874–5090, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, SW, Washington, DC 20219.

Board: Mary M. West, Chief, Financial Reports Section, (202) 452–3829, Division of Research and Statistics, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may contact Diane Jenkins, (202) 452–3544, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551.

FDIC: Steven F. Hanft, FDIC Clearance Officer, (202) 898–3907, Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street NW, Washington, DC 20429.

SUPPLEMENTARY INFORMATION: Proposal to revise the following currently approved collections of information:

Report Title: Consolidated Reports of Condition and Income.

Form Number: Current form numbers: FFIEC 031, 032, 033, and 034. Proposed form numbers: FFIEC 031 and 041.[2]

Frequency of Response: Quarterly.

Affected Public: Business or other for-profit.

For OCC:

OMB Number: 1557–0081.

Estimated Number of Respondents: 2,400 national banks.

Estimated Time per Response: 41.76 burden hours.

Estimated Total Annual Burden: 400,865 burden hours.

For Board:

OMB Number: 7100–0036.

Estimated Number of Respondents: 1,014 state member banks.

Estimated Time per Response: 47.56 burden hours.

Estimated Total Annual Burden: 192,903 burden hours.

For FDIC:

OMB Number: 3064–0052.

Estimated Number of Respondents: 5,734 insured state nonmember banks.

Estimated Time per Response: 30.81 burden hours.

Estimated Total Annual Burden: 706,633 burden hours.

The estimated time per response is an average which varies by agency because of differences in the composition of the banks under each agency's supervision (e.g., size distribution of banks, types of activities in which they are engaged, and number of banks with foreign offices). The time per response for a bank is estimated to range from 14 to 500 hours, depending on individual circumstances. In addition, the effect on the time per response of the proposed changes to the Call Report that are discussed in this notice will vary from bank to bank. After adjusting to the proposed revisions to the reporting requirements, many smaller banks should experience a decrease in time per response because they do not have trust powers and are not involved in the activities for which new information would be collected. In contrast, the time per response for some large banks is expected to increase because the proposed new information would be applicable to them and because the reporting of trust activities would be moved into the Call Report from two separate trust activities reports.[3]

General Description of Report

This information collection is mandatory: 12 U.S.C. 161 (for national banks), 12 U.S.C. 324 (for state member banks), and 12 U.S.C. 1817 (for insured state nonmember commercial and savings banks). Except for selected items, this information collection is not given confidential treatment. Small businesses (i.e., small banks) are affected.

Abstract

Banks file Call Reports with the agencies each quarter for the agencies' use in monitoring the condition, performance, and risk profile of reporting banks and the industry as a whole. In addition, Call Reports provide the most current statistical data available for evaluating bank corporate applications such as mergers, for identifying areas of focus for both on-site and off-site examinations, and for monetary and other public policy purposes. Call Reports are also used to calculate all banks' deposit insurance and Financing Corporation assessments and national banks' semiannual assessment fees.

Current Actions

I. Overview

The agencies are requesting comment on proposed revisions to the Call Report that are intended to make the content of the report more relevant to the agencies. The more significant revisions include:

- An approximate 10 percent decrease in the number of currently existing separately reportable data items (outside of regulatory capital information) whose collection is no longer warranted;
- A new regulatory capital reporting approach that uses step-by-step ''building blocks'' to compute the key elements of the capital ratios;
- Combining the three separate report forms for banks of different sizes that have only domestic offices into a single form while retaining the separate form for banks with foreign offices;
- New information on:
  - —Nontraditional and higher risk bank activities, i.e., subprime loans, securitizations and asset sale activities, additional categories of noninterest income, and restructured derivative contracts; and
  - —Federal Home Loan Bank advances and other borrowings;
- Replacing the two separate trust activities reports with a single, streamlined trust Call Report schedule;
- Eliminating the confidential treatment for loans, leases, and other assets that are past due 30 through 89 days; and
- Eliminating the additional 15-day period that banks with more than one foreign office are given for submitting their Call Reports.

These revised reporting requirements are also designed to complement the agencies' emphasis on risk-focused supervision. Furthermore, the proposal addresses certain aspects of sections 307(b) and (c) of the Riegle Community Development and Regulatory Improvement Act of 1994 (the Riegle Act). These sections direct the federal banking agencies to work jointly toward more uniform reporting, review the information that institutions currently report, and eliminate existing reporting requirements that are not warranted for safety and soundness or other public policy purposes.

Type of Review: Revision of a currently approved collection.

The proposed revisions to the Call Report have been approved for

Financial Institution Letters can be accessed at http://www.fdic.gov/news/news/financial/2000/index.html.

[2] The FFIEC 031 report form would continue to be filed by banks with domestic and foreign offices. At present, the FFIEC 032 report form is filed by banks with domestic offices only and $300 million or more in total assets, the FFIEC 033 report form is filed by banks with domestic offices only and $100 million or more but less than $300 million in total assets, and the FFIEC 034 report form is filed by banks with domestic offices only and less than $100 million in total assets. The proposed FFIEC 041 report form would replace the FFIEC 032, 033, and 034 report forms and would be filed by all banks with domestic offices only.

[3] The Annual Report of Trust Assets (FFIEC 001) and the Annual Report of International Fiduciary Activities (FFIEC 006): for the OCC, OMB Number 1557–0127; for the Board, OMB Number 7100–0031; and for the FDIC, OMB Number 3064–0024. The FDIC does not collect the FFIEC 006.

publication by the FFIEC. The agencies would implement these proposed Call Report changes as of the March 31, 2001, report date. Nonetheless, as is customary for Call Report changes, banks are advised that, for the March 31, 2001, report date only, reasonable estimates may be provided for any new or revised item for which the requested information is not readily available. The specific wording of the captions for the new and revised Call Report items and the numbering of the items in the report forms should be regarded as preliminary.

II. Streamlining the Existing Reporting Requirements

The agencies have carefully reviewed the purposes for which and extent to which they use each data item that they currently collect from banks in the Call Report. This process involved requesting feedback from the staffs within the three agencies on the specific uses of each Call Report item. The agencies also considered the magnitude of the aggregate amounts reported for each item in the Call Report, the number and size distribution of banks reporting amounts for each Call Report item, and bankers' comments about the most burdensome aspects of the Call Report. Based on this information, the agencies identified items that appeared to be of lesser significance to them, taking into account the effect that eliminating certain items and reducing the amount of detail in certain schedules would have on the agencies. In addition, the agencies considered ways to limit the number of banks that are required to complete certain items and schedules based on bank size or other criteria in order to focus the collection of this information on those institutions for which the data are most relevant.

Based on the agencies' evaluations of their users' input, the agencies are proposing to implement numerous revisions that will streamline the existing reporting requirements. While the effect of these revisions on reporting burden, either through the outright elimination of items or reductions in the amount of detail required in certain areas, will vary across the four existing sets of reporting requirements, many of the recommended revisions will affect information currently reported by substantially all banks. In other cases, the recommended changes will apply only to a subset of banks such as those with foreign offices or banks within a particular size range. This burden-reducing effort will produce an approximate 10 percent decrease in the number of separately reportable items on the four existing sets of Call Report forms (outside of regulatory capital information) before considering the agencies' new information needs, which are discussed in Section III below. These eliminations and reductions in detail will help the agencies achieve the objective set forth in section 307(c) of the Riegle Act, which directs the agencies to review the information that institutions currently report in the Call Report and eliminate existing reporting requirements that are not warranted for safety and soundness or other public policy purposes.

As part of the streamlining process, the agencies are proposing several reporting changes that will introduce more uniformity to certain aspects of bank regulatory reporting. These changes will provide more uniformity to the Call Report requirements themselves and will bring some elements of the regulatory reporting requirements for banks, savings associations, and bank holding companies into closer alignment.[4] In this regard, over the past several years, banking organizations have sought greater consistency among the reporting requirements imposed on banks, savings associations, and bank holding companies. Thus, for example, the agencies are proposing to eliminate the differing definitional schemes for loans that now exist within the Call Report for banks of different sizes and to conform other Call Report definitions to those used by savings associations. Moreover, the proposed new regulatory capital reporting approach incorporates some elements of the format used by bank holding companies to report regulatory capital information. Other proposed modifications to the Call Report are intended to make its form and content more closely resemble the manner in which information is presented in financial statements that banks prepare in accordance with generally accepted accounting principles (GAAP) for other financial reporting purposes.

An additional outcome of this streamlining effort is that the agencies believe that there is no longer a need for three separate versions of the Call Report based on asset size for banks with domestic offices only. The agencies are therefore proposing to combine these three reports (FFIEC 032, 033, and 034) into a single report (FFIEC 041). Nevertheless, within this single report, certain schedules or items would only be applicable to banks that meet specified criteria, e.g., asset size. The agencies would retain the separate version of the Call Report for banks with foreign offices (FFIEC 031).

Increasing the uniformity of the Call Report requirements, both among banks and among the different types of institutions supervised by the federal financial institution regulators, is a necessary step toward achieving the goal of a single set of reporting requirements for the filing of core information that is set forth in section 307(b) of the Riegle Act. It should also reduce reporting burden for banking organizations comprised of two or more separate entities that must file regulatory reports with their primary federal regulators.

A. Specific Proposed Deletions, Reductions in Detail, Changes To Increase Uniformity in Regulatory Reporting, and Revisions To Conform With GAAP (Outside of Regulatory Capital Reporting)

The agencies propose to delete existing items from or reduce the amount of detail currently required in most of the schedules of the Call Report. Other changes throughout the existing report will be made to bring about more uniformity in the reporting requirements for banks or among banks and other types of financial institutions insured or supervised by the agencies or to better conform with the requirements of GAAP. In addition, the specific location of certain items within the Call Report will be modified so that it better matches the presentation required by GAAP or followed in practice by most institutions. Some of these revisions will affect information that is now collected in all four versions of the Call Report (FFIEC 031, 032, 033, and 034) while other changes may affect only one report form.

A schedule-by-schedule listing of these proposed revisions, using the current numbers and captions for the affected items, follows:

Schedule RC—Balance Sheet: For all banks:

(1) Item 15.b, ''Demand notes issued to the U.S. Treasury,'' would be eliminated as a separate item and would be reported instead as part of item 16, ''Other borrowed money.''

(2) Items 26.b, ''Net unrealized holding gains (losses) on available-for-sale securities,'' 26.c, ''Accumulated net gains (losses) on cash flow hedges,'' and 27, ''Cumulative foreign currency translation adjustments,'' would be combined and reported as ''Accumulated other comprehensive

[4] These three types of financial institutions file different regulatory report forms. Banks file Call Reports, savings associations file Thrift Financial Reports, and bank holding companies subject to consolidated reporting requirements file the FR Y–9C reports.

income.'' [5] In addition, any minimum pension liability adjustment recognized in accordance with Financial Accounting Standards Board (FASB) Statement No. 87, *Employers' Accounting for Pensions*, which banks have to net against ''Undivided profits and capital reserves'' due to the constraints of the current Call Report balance sheet, would be included in this new item for ''Accumulated other comprehensive income.'' This change would conform the presentation of the equity capital section of the Call Report balance sheet to FASB Statement No. 130, *Reporting Comprehensive Income.*

(3) Loans and leases held for sale are currently included on the balance sheet in item 4.a, ''Loans and leases, net of unearned income,'' together with loans that the bank has the intent and ability to hold for the foreseeable future or until maturity or payoff, but loans and leases held for sale are separately identified in the loan schedule in Schedule RC–C, part I, Memorandum item 5. The agencies propose to move ''Loans and leases held for sale'' onto the balance sheet as an asset category separate from the loan portfolio. This change will bring the Call Report balance sheet presentation of these two categories of loans into conformity with GAAP. However, loans and leases held for sale would continue to be reported with the bank's other loans in the loan schedule (Schedule RC–C, part I).

(4) Item 4.c, ''Allocated transfer risk reserve,'' would be deleted from the balance sheet, but would be reported in the new regulatory capital schedule, which is discussed in section II.B. below. Banks would report their loans and leases net of any allocated transfer risk reserve in the loan schedule (Schedule RC–C, part I).

(5) A new item for ''Other equity capital components'' would be added to the equity capital section of the balance sheet. This item would cover treasury stock and unearned Employee Stock Ownership Plan shares which, under GAAP, are to be reported in a contra-equity account on the balance sheet. Due to the constraints of the equity capital section of the current Call Report balance sheet, banks are forced to report these amounts as reductions of undivided profits. Thus, this change will make the equity capital section more consistent with GAAP and with the equity capital section of the balance sheet in the Thrift Financial Report.

[5] The first two of these components of ''Accumulated other comprehensive income'' would be separately identified in the proposed new regulatory capital schedule, which is discussed in Section II.B. below.

(6) Memorandum item 1 requires all banks to report the highest level of comprehensive external auditing work they have had performed during the previous year. In November 1999, the agencies issued a joint policy statement that encourages banks with less than $500 million in total assets to consider engaging an independent public accountant to perform a full scope annual audit or, alternatively, an attestation engagement to examine management's assessment of the effectiveness of their internal control structure over financial reporting or an audit of the bank's balance sheet. A new code category would be added to Memorandum item 1 to capture data on internal control attestations. Also, the instructions for code categories 1 and 2 of Memorandum item 1, which currently apply to full scope audits, would be revised to include balance sheet audits performed in accordance with generally accepted auditing standards.

Schedule RC–A—Cash and Balances Due From Depository Institutions: At present, this schedule appears only on the FFIEC 031, 032, and 033 forms, which means that the schedule is not completed by banks with domestic offices only and total assets of less than $100 million. The agencies are proposing to reduce the number of banks with domestic offices only to which this schedule applies by raising the size threshold for the schedule from $100 million to $300 million in total assets. All banks with foreign offices would continue to complete Schedule RC–A. However, for all banks to which the schedule would remain applicable, the agencies propose to delete Memorandum item 1, ''Noninterest-bearing balances due from commercial banks in the U.S.''

Schedule RC–B—Securities: For all banks:

(1) The three separate items for ''General obligations,'' ''Revenue obligations,'' and ''Industrial development and similar obligations'' (items 3.a, 3.b., and 3.c, respectively) would be combined into a single item for ''Securities issued by states and political subdivisions in the U.S.''

(2) Item 6.b, ''All other equity securities,'' *i.e.,* equity securities without readily determinable fair values, would be moved to a new item in Schedule RC–F—Other Assets. These equity securities are outside the scope of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* Therefore, including them in the Call Report with available-for-sale securities in Schedule RC–B, albeit at historical cost rather than at fair value, has not been consistent with GAAP. Moving equity securities without readily determinable fair values to the other assets schedule is intended to eliminate this inconsistency.

(3) In Memorandum items 2.a and 2.b, which provide maturity and repricing data for debt securities (except collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), and stripped mortgage-backed securities), banks currently report their floating rate debt securities by repricing frequency. The agencies are proposing to change this reporting method so that floating rate debt securities would instead be reported based on their next repricing date in these two memorandum items. The interest rate risk measurement models in use at most banks take the next repricing date, not the repricing frequency, of floating rate debt securities into consideration. Therefore, this proposed change would bring the Call Report treatment of these securities into line with banks' internal risk measurement systems.

Additionally, banks now filing the FFIEC 034, *i.e.,* banks with domestic offices only and less than $100 million in total assets, would begin to report ''Foreign debt securities'' as a separate category of securities. These banks currently report foreign debt securities, if any, in item 5, ''Other debt securities.'' Uniform reporting of foreign debt securities by all banks is consistent with the agencies' emphasis on risk-focused supervision. This proposed change would not significantly increase overall reporting burden because of the small percentage of banks filing the FFIEC 034 that hold ''Foreign debt securities.''

Schedule RC–C, Part I—Loans and Leases:

(1) For all banks:

(a) The definition of ''Construction and land development'' loans (item 1.a) and, hence, the definitions for the other categories of loans secured by real estate (items 1.b through 1.e) would be revised to make them consistent with reporting requirements in this area for savings associations on the Thrift Financial Report. The Call Report instructions for ''Construction and land development'' loans currently direct banks to exclude from this loan category: (i) Loans to acquire and hold vacant land and (ii) construction loans with original maturities greater than 60 months. These two types of loans are instead reported as loans secured by farmland, 1–4 family residential properties, multifamily residential properties, or nonfarm nonresidential properties, as appropriate. The agencies are proposing

to revise the definitions for the five categories of ''Loans secured by real estate'' so that land loans and long-term construction loans are reported in a recaptioned item 1.a, ''Construction, land development, and other land loans.''

(b) The separate loan categories for ''Loans to depository institutions'' and ''Acceptances of other banks'' (items 2 and 5, respectively) would be combined.

(c) Item 6.a, ''Credit cards and related plans'' to individuals for household, family, and other personal expenditures, would be split into separate loan categories for ''Credit cards'' and ''Other revolving credit plans.'' For banks with foreign offices, this breakdown would be provided for both the consolidated bank and for domestic offices; the amount of ''Other'' consumer loans, currently reported for the consolidated bank only, would also begin to be reported for domestic offices.

(d) A single memorandum item for the total amount of a bank's ''Loans and leases restructured and in compliance with modified terms'' would replace the multiple memorandum items in which banks must currently report information about such restructured credits (Memorandum items 1.a and 1.b on the FFIEC 034, Memorandum items 2.a and 2.b on the FFIEC 033, and Memorandum items 2.a through 2.c on the FFIEC 031 and 032). Restructured loans secured by 1–4 family residential properties and restructured consumer loans would continue to be excluded from the revised Memorandum item.

(e) In Memorandum items 2.a and 2.b on the FFIEC 034 and in Memorandum items 3.a and 3.b on the FFIEC 031, 032, and 033, which provide maturity and repricing data for loans and leases, banks currently report their floating rate loans by repricing frequency. The agencies are proposing to change this reporting method so that floating rate loans would instead be reported based on their next repricing date in these two memorandum items. The interest rate risk measurement models in use at most banks take the next repricing date, not the repricing frequency, of floating rate loans into consideration. Therefore, this proposed change would bring the Call Report treatment of these loans into line with banks' internal risk measurement systems.

(f) The Memorandum items for ''Loans secured by nonfarm nonresidential properties with a remaining maturity of over five years'' and ''Commercial and industrial loans with a remaining maturity of over three years'' (Memorandum items 2.d and 2.e on the FFIEC 034 and Memorandum items 3.d and 3.e on the FFIEC 031, 032, and 033) would be deleted.

(2) For banks that currently file the FFIEC 033, *i.e.,* banks with domestic offices only and total assets of $100 million or more but less than $300 million:

(a) The five-way breakdown of ''Loans to depository institutions'' (items 2.a.(1) through 2.c.(2)) would be replaced with a single item for the total amount of such loans (plus acceptances of other banks, as discussed above).

(b) The breakdown of ''Commercial and industrial loans'' between those to U.S. addressees and those to non-U.S. addressees (items 4.a and 4.b) would be eliminated in favor of a single item for total ''Commercial and industrial loans.''

(c) Item 9.a, ''Loans for purchasing or carrying securities,'' and item 9.b, ''All other loans,'' would be combined into a single item for ''Other loans.''

(3) Banks now filing the FFIEC 034, *i.e.,* banks with domestic offices only and less than $100 million in total assets, would begin to report ''Loans to foreign governments and official institutions'' as a separate loan category. At present, these banks report these loans, if any, in item 8, ''All other loans.'' This proposed change would result in uniform reporting of these foreign exposures by all banks and would enhance the agencies' risk-focused supervision. However, it would not significantly increase overall reporting burden because of the nominal number of banks filing the FFIEC 034 that have ''Loans to foreign governments and official institutions.''

(4) Banks now filing the FFIEC 031 and 032, *i.e.,* banks with foreign offices or with $300 million or more in total assets, currently report a U.S.-non-U.S. addressee breakdown of their ''Loans secured by real estate'' when they report their past due and nonaccrual loans in Schedule RC–N and their loan charge-offs and recoveries in Schedule RI–B, part I. However, these banks are not currently required to report the amount of ''Loans secured by real estate'' to U.S. and non-U.S. addressees as of the report date in Schedule RC–C, part I. In order to enhance their ability to evaluate the performance of real estate loans by addressee, the agencies are proposing to add a memorandum item to Schedule RC–C, part I, for ''Loans secured by real estate to non-U.S. addressees (domicile)'' that would be completed by banks that would currently file the FFIEC 031 and 032.

Schedule RC–D—Trading Assets and Liabilities: This schedule must currently be completed by banks with either $1 billion or more in total assets or $2 billion or more in par/notional amount of derivative contracts. To reduce reporting burden for banks of this asset size that have minimal trading activity while, at the same time, focusing for the first time on banks with less than $1 billion in assets that are engaging in this activity, the criteria for completing this schedule would be revised. Thus, the agencies are proposing that banks that reported a quarterly average for trading assets of $2 million or more (in Schedule RC–K, item 7) for any quarter of the preceding year would complete Schedule RC–D. Banks with domestic offices only and less than $100 million in total assets would continue to be exempt from reporting this quarterly average and from completing Schedule RC–D.

Schedule RC–E—Deposit Liabilities: For all banks:

(1) The reporting of demand deposits by category of depositor in column B of the body of the deposits schedule would be eliminated, with banks reporting instead only the total amount of their demand deposits in this column. Banks would continue to provide a category-by-category breakdown of their total transaction accounts in column A, which includes their demand deposits, but the current duplicate reporting of demand deposits by category in both columns A and B would end.

(2) The number of categories of depositors used in the breakdowns of transaction and nontransaction accounts in the body of the deposit schedule would be reduced.

(a) ''Certified and official checks'' (item 6 on the FFIEC 034 and item 8 on the FFIEC 031, 032, and 033) would be combined with deposits of ''Individuals, partnerships, and corporations'' (item 1).

(b) Deposits of ''Commercial banks in the U.S.'' (item 4) and ''Other depository institutions in the U.S.'' (item 5) would be combined.

However, in order to achieve uniformity in depositor categories for all banks, institutions that currently file the FFIEC 034 would begin to report deposits of ''Banks in foreign countries'' separately from deposits of ''Foreign governments and official institutions'' instead of on a combined basis (in current item 7). This change for banks filing the FFIEC 034 would not significantly increase reporting burden because of the limited number of these banks that currently hold deposits from these categories of depositors.

(3) Memorandum item 3, ''All NOW accounts,'' would be deleted.

(4) In Memorandum items 5.a and 6.a, which provide maturity and repricing data for time deposits, banks currently

report their floating rate time deposits by repricing frequency. The agencies are proposing to change this reporting method so that floating time deposits would instead be reported based on their next repricing date in these two memorandum items. The interest rate risk measurement models in use at most banks take the next repricing date, not the repricing frequency, of floating rate time deposits into consideration. Therefore, this proposed change would bring the Call Report treatment of these deposits into line with banks' internal risk measurement systems.

In addition, for banks that file the FFIEC 031, *i.e.,* banks with foreign offices, the agencies are proposing to modify the reporting of deposits in foreign offices by category of depositor (in part II of Schedule RC–E). As was proposed above for domestic deposits, ''Certified and official checks'' in foreign offices (item 5) would be combined with deposits of ''Individuals, partnerships, and corporations'' (item 1). Deposits of U.S. depository institutions other than banks, currently reported in ''All other deposits'' in foreign offices (item 6), would be removed from this category and included with deposits of ''U.S. banks'' (item 2). This would leave only deposits of the U.S. Government and of states and political subdivisions in the U.S. remaining in what is now the ''All other deposits'' category, so this category would be recaptioned accordingly.

Schedule RC–F—Other Assets: For all banks:

(1) The scope of item 1, ''Income earned, not collected on loans,'' would be expanded to cover all ''Accrued interest receivable.'' Broadening this category to include interest earned, not collected on earning assets other than loans would be more consistent with the typical presentation of accrued interest receivable in financial statements prepared for other financial reporting purposes.

(2) The requirement that significant components of the residual ''Other'' assets item in Schedule RC–F (item 4) be itemized and described would be retained. However, to improve the usefulness of this information, the agencies plan to add preprinted captions for those components of ''Other'' assets most commonly itemized and described by banks.[6] At present, several banks may describe the same type of ''Other'' asset using different terminology, which makes it difficult for the agencies and other users of the Call Report to identify and compare banks holding particular types of ''Other'' assets in amounts exceeding the threshold for itemization. In addition to the specific captions that would be included for ''Other'' assets, the agencies would also provide blank text fields like those presently found in Schedule RC–F for assets not listed among the preprinted captions. Furthermore, the agencies request comment on suggested alternatives to the current threshold for itemizing and describing significant components of ''Other'' assets, *i.e.,* 25 percent of the total amount reported for ''Other'' assets.

(3) Memorandum item 1, ''Deferred tax assets disallowed for regulatory capital purposes,'' would be moved to the revised regulatory capital schedule (Schedule RC–R), which is discussed in Section II.B. below. This proposed change is part of an effort by the agencies to place all items collected principally for regulatory capital calculation purposes in a revised Schedule RC–R rather than having these items scattered across various Call Report schedules as they are at present.

Schedule RC–G—Other Liabilities: For all banks:

(1) Item 3, ''Minority interest in consolidated subsidiaries,'' would be moved to the liability side of the balance sheet (Schedule RC). As a result, the location where this liability category appears on the Call Report balance sheet would correspond to the location where banks and bank holding companies are instructed by Article 9 of the Securities and Exchange Commission's Regulation S–X to report any minority interest on balance sheets filed with the Securities and Exchange Commission.

(2) A specific new item for the ''Allowance for credit losses on off-balance sheet credit exposures,'' which must be reported separately on the balance sheet from the allowance for loan and lease losses, would be added to Schedule RC–G. At present, the limited number of banks that have an allowance for credit losses on off-balance credit exposures combine this allowance with their allowance for loan and lease losses when completing Schedule RI–B, part II—Changes in Allowance for Credit Losses. Because the allowance for loan and lease losses is reported on the Call Report balance sheet (Schedule RC), the amount of the allowance for credit losses on off-balance sheet exposures can be derived. However, as discussed below, the agencies are proposing to revise the scope of Schedule RI–B, part II. That change creates the need for the proposed new item in Schedule RC–G so that the agencies can identify the amount, if any, of a bank's allowance for credit losses on off-balance sheet exposures.

(4) The requirement that significant components of the residual ''Other'' liabilities item in Schedule RC–G (item 4) be itemized and described would be retained. However, consistent with the proposed change described above for the ''Other'' assets item in Schedule RC–F, the agencies plan to add preprinted captions for those components of ''Other'' liabilities most commonly itemized and described by banks. Likewise, the agencies would provide blank text fields like those presently found in Schedule RC–G for liabilities not listed among the preprinted captions. The agencies also request comment on suggested alternatives to the current threshold for itemizing and describing significant components of ''Other'' liabilities, *i.e.,* 25 percent of the total amount reported for ''Other'' liabilities.

Schedule RC–H—Selected Balance Sheet Items for Domestic Offices (FFIEC 031 only): This schedule is completed by banks with foreign offices. Memorandum items 1 and 2 for the ''Net due from the IBF of the domestic offices of the reporting bank'' or the ''Net due to the IBF'' of these offices would be deleted. In addition, consistent with the proposed change to the reporting of equity securities without readily determinable fair values discussed under Schedule RC–B above, item 16.b of Schedule RC–H, ''All other equity securities,'' would be renumbered so that it is no longer included as part of a bank's total held-to-maturity and available-for-sale securities in item 17 of Schedule RC–H.

Schedule RC–I—Selected Assets and Liabilities of IBFs (FFIEC 031 only): This schedule is completed by banks with IBFs and other types of foreign offices. The agencies are proposing to eliminate item 2, ''Total IBF loans and lease financing receivables,'' item 3, ''IBF commercial and industrial loans,'' item 5, ''IBF deposit liabilities due to banks, including other IBFs,'' and item 6, ''Other IBF deposit liabilities.''

Schedule RC–K—Quarterly Averages: For all banks:

(1) The categories of securities for which averages would be collected would be uniform for all banks and would better correspond with the securities categories in Schedule RC–B. In addition, the number of quarterly averages of securities that banks are required to report would be reduced or remain the same. Banks would report

[6] An example of a component of ''Other'' assets for which a preprinted caption would need to be added to the Call Report in 2001 would be ''Derivatives held for purposes other than trading that have a positive fair value.''

quarterly averages for the three following categories of securities: (a) U.S. Treasury securities and U.S. Government agency obligations, (b) mortgage-backed securities; and (c) all other securities.

(2) The categories of loans (in domestic offices) for which averages would be collected would also be defined uniformly for all banks required to report these averages. The loan category definitions used by all banks in Schedule RC–K would correspond to the standard definitions used in the loan schedule, Schedule RC–C. This would end the separate loan reporting scheme for banks with domestic offices only and less than $300 million in assets which currently permits these banks to define for themselves which of their loans to include in the general loan categories used in Schedule RC–K (and three other schedules) on the FFIEC 033 and 034. Adopting uniform categories and standard definitions will enable the agencies to obtain more consistent loan information for monitoring trends and critical ratios across banks and within individual institutions and is a necessary step toward achieving the Riegle Act's goal of a single set of reporting requirements for core information.

Thus, banks would report a quarterly average for total loans (in domestic offices) and for the five following categories of loans (in domestic offices): (a) Loans secured by real estate; (b) loans to finance agricultural production and other loans to farmers (except as noted below); (c) commercial and industrial loans; (d) credit cards to individuals for household, family, and other personal expenditures; and (e) other consumer loans. Banks with foreign offices would also continue to report a quarterly average for their total loans in foreign offices. The agencies would retain the existing Schedule RC–K reporting threshold for agricultural loans for banks with domestic offices only and less than $300 million in assets. These banks would not be required to report a quarterly average for ''Loans to finance agricultural production and other loans to farmers'' if these loans are less than or equal to 5 percent of total loans. In addition, a request for comment on the reporting of average loans by loan category by banks with domestic offices only and less than $25 million in assets is addressed in Section V.B. below.

(3) The quarterly averages for ''Money market deposit accounts'' and ''Other savings deposits'' (items 9.a and 9.b on the FFIEC 034; items 11.a and 11.b on the FFIEC 031, 032, and 033) would be combined. Banks would report a single quarterly average for all ''Savings deposits.''

In addition, for banks that currently file the FFIEC 034, *i.e.,* banks with domestic offices only and less than $100 million in assets, the option to report the quarterly averages for securities, loans, leases, and total assets using an average of four month-end figures would be eliminated. These averages, like the other averages in Schedule RC–K, would be calculated using either daily or weekly figures for the quarter, which are the other options presently available to these banks.

Schedule RC–L—Off-Balance Sheet Items:

(1) For all banks:

(a) Item 6, ''Participations in acceptances acquired by the reporting (nonaccepting) bank,'' and Memorandum item 3, ''Unused commitments with an original maturity exceeding one year,'' would be collected only on the proposed new regulatory capital schedule, discussed in Section II.B. below, and would be deleted from Schedule RC–L.

(b) Item 7, ''Securities borrowed,'' would no longer be collected from all banks. Instead, the amount of borrowed securities would be reported, when appropriate, in item 12, ''Other off-balance sheet liabilities.''

(c) The information collected in items 9.a, 9.b, and 9.c on the outstanding principal balance of and amount of recourse on three categories of financial asset transfers would be moved from Schedule RC–L and incorporated into the proposed new schedule on securitization and asset sale activities, which is discussed in Section III.B. below.

(d) The requirement that off-balance sheet liabilities and assets that exceed 25 percent of equity capital be itemized and described in items 12 and 13 would be retained. However, consistent with the proposed changes described above for ''Other'' assets and ''Other'' liabilities in Schedules RC–F and RC–G, the agencies plan to add preprinted captions for those off-balance sheet items most often itemized and described by banks.

The agencies would also retain blank text fields like those presently found in Schedule RC–L for off-balance sheet items not listed among the preprinted captions.

(e) Item 16.b for the gross notional amount of derivative contracts held for purposes other than trading that are not marked to market would be deleted. All derivative contracts, including those held for purposes other than trading, will be marked to market once a bank adopts FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* which is effective for fiscal years beginning after June 15, 2000. Thus, item 16.b will no longer have any relevance in 2001.

(2) For banks that file the FFIEC 031, 032, and 033, *i.e.,* banks with foreign offices or with $100 million or more in total assets:

(a) Items 17.c.(1) and (2) for the gross positive and gross negative fair values of derivatives held for purposes other than trading that are not marked to market would be deleted because of the effect of FASB Statement No. 133.

(b) Memorandum item 3.a, ''Participations in commitments with an original maturity exceeding one year conveyed to others,'' would be eliminated.

(3) For banks that file the FFIEC 031 and 032, *i.e.,* banks with foreign offices or with $300 million or more in total assets:

(a) Memorandum item 4, ''Standby letters of credit (and foreign office guarantees) issued to non-U.S. addressees (domicile),'' would be deleted.

(b) The information collected in Memorandum items 5.a, 5.b, and 5.c on three categories of consumer loans that have been securitized and sold would be moved from Schedule RC–L and incorporated into the proposed new schedule on securitization and asset sale activities, which is discussed in section III.B. below.

Schedule RC–M—Memoranda:

(1) For all banks:

(a) Items 4.a through 4.d, in which banks report a six-way breakdown of the ''Outstanding principal balance of 1–4 family residential mortgage loans serviced for others'' would be moved from Schedule RC–M and condensed into a two-way servicing breakdown in the proposed new schedule on securitization and asset sale activities, which is discussed in Section III.B. below.

(b) Item 6.e, ''Amount of intangible assets that have been grandfathered or are otherwise qualifying for regulatory capital purposes,'' item 7, ''Mandatory convertible debt, net of common or perpetual preferred stock dedicated to redeem the debt,'' item 9, ''Noncumulative perpetual preferred stock and related surplus,'' and Memorandum item 1, ''Reciprocal holdings of banking organizations'' capital instruments,'' would no longer be collected as specific items in Schedule RC–M, but would be incorporated into the calculation of Tier 1, Tier 2, and total risk-based capital in the proposed new regulatory capital

schedule, which is discussed in Section II.B. below.

(c) Item 6.c, ''Goodwill,'' would be moved from this schedule and would appear on the balance sheet (Schedule RC) as a specific item. This proposed change would be made to conform to the FASB's proposed accounting standard, *Business Combinations and Intangible Assets,* which would require all goodwill to be aggregated and presented as a separate line item on the balance sheet.

(d) Items 10.a through 10.f, which collect data on quarterly sales of annuities, mutual funds, and proprietary products, would be eliminated. In place of these items, each bank would respond to a ''yes'' or ''no'' question asking whether it sells private label or third party mutual funds and annuities. In addition, banks would report the total assets under the reporting bank's management in proprietary mutual funds and annuities. For banks with proprietary mutual funds and annuities, reporting the amount of assets under management should be significantly less burdensome than reporting the quarterly sales volume for these proprietary products.

(e) Item 11, ''Net unamortized realized deferred gains (losses) on off-balance sheet derivative contracts included in assets and liabilities reported in Schedule RC,'' and item 12, ''Amount of assets netted against nondeposit liabilities (and deposits in foreign offices) on the balance sheet (Schedule RC) in accordance with generally accepted accounting principles,'' would be eliminated.

(2) For banks that file the FFIEC 034, *i.e.,* banks with domestic offices only and less than $100 million in total assets, items 3.a, ''Noninterest-bearing balances due from commercial banks in the U.S,'' and 3.b, ''Currency and coin,'' would be deleted.

(3) For banks that file the FFIEC 031, 032, and 033, i.e., banks with foreign offices or with $100 million or more in total assets:

(a) Item 2, ''Federal funds sold and securities purchased under agreements to resell with U.S. branches and agencies of foreign banks,'' would be deleted.

(b) Item 13, ''Outstanding principal balance of loans other than 1–4 family residential mortgage loans that are serviced for others,'' would be moved from Schedule RC–M to the proposed new schedule on securitization and asset sales activities, which is discussed in section III.B. below. This information would continue to be reported when this balance is more than $10 million. The current requirement that the balance must also exceed 10 percent of total assets in order for it to be reported would be eliminated.

(4) For banks with $1 billion or more in total assets that file the FFIEC 031 and 032, the U.S.-non-U.S. addressee breakdown of ''Customers'' liability to this bank on acceptances outstanding'' in items 5.a and 5.b would be eliminated.

Schedule RC–N—Past Due and Nonaccrual Loans, Leases, and Other Assets:

(1) The categories of loans and leases for which past due and nonaccrual information would be collected would be defined uniformly for all banks, but banks with foreign offices or with $300 million or more in total assets would provide more detail for certain loan categories and for leases than other banks would. The loan category definitions used by all banks in Schedule RC–N would correspond to the standard definitions used in the loan schedule, Schedule RC–C. As discussed above under Schedule RC–K, this proposed change would end the separate loan reporting scheme for banks currently filing the FFIEC 033 and 034 which permits these banks to define for themselves the composition of the general loan categories used in Schedule RC–N (and three other schedules). Thus, all banks would report past due and nonaccrual information for the following categories of loans and leases: (a) Loans secured by real estate using the current breakdown from the Memoranda section of the schedule (Memorandum item 4 on the FFIEC 033 and 034; Memorandum item 3 on the FFIEC 031 and 032); [7] (b) loans to depository institutions and acceptances of other banks; (c) loans to finance agricultural production and other loans to farmers (except as noted below); (d) commercial and industrial loans; (e) credit cards to individuals for household, family, and other personal expenditures; (f) all other consumer loans; (g) loans to foreign governments and official institutions; (h) all other loans; and (i) lease financing receivables.

Banks with foreign offices or with $300 million or more in assets would also continue to report past due and nonaccrual information for: (a) Loans secured by real estate to non-U.S. addressees; (b) loans to foreign banks; (c) commercial and industrial loans to non-U.S. addressees; and (d) lease financing receivables of non-U.S. addressees. The agencies would retain the existing Schedule RC–N reporting threshold for agricultural loans for banks with domestic offices only and less than $300 million in assets. These banks would not be required to report past due and nonaccrual data for ''Loans to finance agricultural production and other loans to farmers'' if these loans are less than or equal to 5 percent of total loans.

(2) For banks that currently file the FFIEC 031 and 032, i.e., banks with foreign offices or with $300 million or more in assets, Memorandum item 4.b, ''Replacement cost of [past due derivative] contracts with a positive replacement cost,'' would be deleted. Once banks adopt FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* all of their derivative contracts will be carried on the balance sheet at fair value. Since the replacement cost of a derivative contract is its fair value and its book value will also be its fair value, Memorandum items 4.a., ''Book value of amounts carried as assets,'' and 4.b would duplicate each other. The caption for Memorandum item 4.a would be revised to read ''Fair value of amounts carried as assets.''

Schedule RI—Income Statement:

(1) For all banks:

(a) Consistent with the approach for reporting loan information discussed above under Schedules RC–K and RC–N, the categories of loans for which loan income (in domestic offices) would be collected would be defined uniformly for all banks required to report loan income by category. The loan category definitions used in Schedule RI would correspond to the standard definitions used in the loan schedule, Schedule RC–C. As previously discussed, this proposed change would end the separate loan reporting scheme for banks currently filing the FFIEC 033 and 034 which permits these banks to define for themselves the composition of the general loan categories used in Schedule RI (and three other schedules).

The agencies are proposing to have banks report interest and fee income for the following seven categories of loans (in domestic offices): (a) Loans secured by real estate; (b) loans to finance agricultural production and other loans to farmers (except as noted below); (c) commercial and industrial loans; (d) credit cards to individuals for household, family, and other personal expenditures; (e) all other consumer loans; (f) loans to foreign governments and official institutions; and (g) all other

[7] In addition to the categories of loans secured by real estate in the current breakdown, banks that file the FFIEC 031, i.e., banks with foreign offices, would also separately report their past due and nonaccrual loans secured by real estate in foreign offices, but they would no longer separately report their past due and nonaccrual loans secured by real estate to U.S. addressees.

loans. Banks with foreign offices would also continue to report the total amount of their interest and fee income on loans in foreign offices. The agencies would retain the existing Schedule RI reporting threshold for agricultural loans for banks with domestic offices only and less than $300 million in assets. These banks would not be required to report interest and fee income on ''Loans to finance agricultural production and other loans to farmers'' if these loans are less than or equal to 5 percent of total loans. In addition, a request for comment on the reporting of loan income by loan category by banks with domestic offices only and less than $25 million in assets is addressed in section V.B. below.

(b) The method of reporting tax-exempt income from loans and leases to states and political subdivisions in the U.S. used by banks that currently file the FFIEC 034 would be extended to all banks. Thus, the agencies are proposing to have all banks report the combined amount of their tax-exempt loan and lease income in a single income statement Memorandum item. This would mean that, going forward, the body of the income statement (Schedule RI) would contain only a single item (item 1.b) for income from lease financing receivables and it would no longer contain any items for income on ''Obligations (other than securities and leases) of states and political subdivisions in the U.S.''

(c) The categories of securities for which interest and dividend income would be collected would be uniform for all banks and would correspond with the securities categories for which quarterly averages are collected in Schedule RC–K. In addition, the number of categories of securities income that banks are required to report would be reduced or remain the same. Banks would report their income for the three following categories of securities in the body of the income statement: (a) U.S. Treasury securities and U.S. Government agency obligations; (b) mortgage-backed securities; and (c) all other securities. Banks would report their ''Income on tax-exempt securities issued by states and political subdivisions in the U.S.'' in a new income statement Memorandum item rather than in the income statement (Schedule RI) itself.

(d) The agencies are proposing to add a new item for ''Other interest income'' to the interest income section of Schedule RI. This new item would be used for reporting interest income on assets other than those properly reported in items 1 through 5 of the Call Report balance sheet (Schedule RC), e.g., interest income on interest-only strips receivable (not in the form of a security) that are reported in Schedule RC–F, item 3. In addition, because this proposed new item is currently included in the interest income section of the income statement in the Board's FR Y–9C bank holding company report, this change would increase the uniformity between that report's income statement and Call Report Schedule RI.

(e) The separate interest expense items for interest on ''Money market deposit accounts'' and ''Other savings deposits'' (items 2.a.(2)(a) and (b) on the FFIEC 032, 033, and 034; items 2.a.(1)(b)(1) and (2) on the FFIEC 031) would be combined. Banks would report an interest expense item for interest on all ''Savings deposits.''

(f) Item 4.a, ''Provision for credit losses,'' would be revised so that it includes only the provision for loan and lease losses. Banks would report any provision for credit losses on off-balance sheet exposures in ''Other noninterest expense'' and they would itemize and describe this provision in Schedule RI–E—Explanations, if it is significant.

(g) Item 4.b, ''Provision for allocated transfer risk,'' would be eliminated as a specific income statement item. Banks would report any provision for allocated transfer risk in ''Other noninterest expense'' and itemize and describe it in Schedule RI–E if it is significant.

(h) Memorandum item 12, ''Deferred portion of total applicable income taxes included in Schedule RI, items 9 and 11,'' would be deleted.

(2) For banks currently filing the FFIEC 031, 032, and 033, i.e., banks with foreign offices or with total assets of $100 million or more:

(a) A threshold test would be added to determine which banks should complete Memorandum items 8.a through 8.d, which provide a breakdown of trading revenue by risk exposure. At present, regardless of the amount of a bank's trading revenue, the bank must report the breakdown. To take a more risk-focused approach to reporting this information, the agencies are proposing to require that only those banks that reported a quarterly average for trading assets of $2 million or more (in Schedule RC–K, item 7) for any quarter of the preceding year would report the trading revenue breakdown. This is the same threshold test proposed for Schedule RC–D—Trading Assets and Liabilities. In addition, Section III.C. below discusses the agencies' proposal to collect separate information on trading revenue from cash instruments from banks with $5 billion or more in notional amount of derivatives.

(b) Memorandum items 9.a through 9.c request banks to disclose the impact of derivatives held for purposes other than trading on interest income, interest expense, and noninterest income (expense). For reporting beginning in 2001 when FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* is in effect, the instructions for these items, and possibly the items themselves, will need to be revised because all derivatives will be reported on the balance sheet at fair value and the accounting for fair value and cash flow hedges under Statement No. 133 differs from current hedge accounting practices. The agencies request comment on how the existing instructions for Memorandum items 9.a through 9.c, or these three items themselves, should be modified in response to Statement No. 133. In particular, banks are encouraged to describe the information they plan to provide for internal management purposes on the effect of derivatives held for purposes other than trading on their earnings.

(3) Banks currently filing the FFIEC 031 and 032, i.e., banks with foreign offices or with total assets of $300 million or more, must report the amount of ''Credit losses on off-balance sheet derivatives'' in Memorandum item 10. With all derivatives carried on the balance sheet at fair value after banks adopt FASB Statement No. 133, credit losses related to derivatives will be reflected in the fair value of these instruments and no allowances for credit losses on derivatives should be maintained. Thus, the agencies request comment on how the existing instructions for Memorandum item 10 should be revised in response to Statement No. 133. The agencies would be especially interested in comments explaining how banks plan to measure and report credit losses on derivatives for internal management purposes.

Schedule RI–A—Changes in Equity Capital: For all banks:

(1) The agencies are proposing to change the manner in which the previous year-end balance of equity capital is reported in this schedule so that it better corresponds with how this balance is presented in financial statements prepared in accordance with GAAP. At present, banks must report the ''Total equity capital originally reported'' in the Call Report for the previous year-end in item 1. If the bank has filed any amendments to this previous year-end Call Report that affected its originally reported total equity capital, these equity capital adjustments are reported in item 2, and the amended equity capital balance for

the previous year-end is reported in item 3. The agencies are proposing to eliminate item 2 and, in effect, have banks report what is now reported in item 3 as their previous year-end equity capital balance. Thus, as Schedule RI–A would be revised, banks would report the ''Total equity capital most recently reported'' for the previous year-end in item 1. Next, the agencies propose to combine items 9, ''Cumulative effect of changes in accounting principles from prior years,'' and 10, ''Corrections of material accounting errors from prior years,'' and designate the combined items as item 2, ''Restatements due to corrections of material accounting errors and changes in accounting principles,'' of revised Schedule RI–A. The next item in revised Schedule RI–A (item 3) would then be captioned ''Balance end of previous calendar year as restated.''

(2) The net amount of a bank's treasury stock transactions, which is now included in item 5, ''Sale, conversion, acquisition, or retirement of capital stock, net,'' would be reported in a new item. This item would enable the agencies to monitor the volume and extent of this activity during the year-to-date reporting period. Moreover, this proposed change would bring the reporting of treasury stock transactions in Schedule RI–A into closer conformity with the reporting of these transactions in the corresponding schedule in the Board's FR Y–9C bank holding company report.

(3) Items 11.a, ''Change in net unrealized holding gains (losses) on available-for-sale securities,'' and 11.b., ''Change in accumulated net gains (losses) on cash flow hedges,'' (and, on the FFIEC 031 only, item 12, ''Foreign currency translation adjustments'') would be combined and replaced by an item for ''Other comprehensive income.'' This item would also include any minimum pension liability adjustment recognized during the year-to-date in accordance with GAAP, which banks currently have to report elsewhere in Schedule RI–A. Identifying ''Other comprehensive income'' in the changes in equity capital schedule is consistent with FASB Statement No. 130, *Reporting Comprehensive Income.*

In addition, banks now filing the FFIEC 034, *i.e.,* banks with domestic offices only and less than $100 million in total assets, would begin to complete Schedule RI–A quarterly rather than annually as of December 31. Sound financial reporting practices dictate that an institution prepare a year-to-date reconcilement of equity capital in its workpapers each quarter to ensure that it properly measures the total equity capital to be reported on the Call Report balance sheet. Thus, completing Schedule RI–A each quarter should not represent a significant increase in burden for most banks that file the FFIEC 034. Compared to annual reporting, quarterly completion of this schedule should also improve the accuracy of the reported data by enabling the agencies to more promptly identify any direct entries to equity capital that should have been recorded in earnings or another account. In addition, banks that file the FFIEC 034 currently report the amount of cash dividends declared during the calendar year-to-date in Schedule RI, Memorandum item 5, in the quarters when they do not complete Schedule RI–A. As part of this proposed change, Memorandum item 5 would be deleted.

Schedule RI–B—Charge-Offs and Recoveries on Loans and Leases and Changes in Allowance for Credit Losses: For all banks:

(1) The proposed changes to the categories of loans and leases for which charge-offs and recoveries are reported in Part I of this schedule would be the same as those discussed above for past due and nonaccrual loans and leases in Schedule RC–N. Thus, the loan and lease categories in Schedule RI–B, part I, would be defined uniformly for all banks using the standard definitions from the loan schedule (Schedule RC–C), but banks with foreign offices or with $300 million or more in total assets would provide more detail for certain loan categories and for leases than other banks would. As previously mentioned, this proposed change would end the separate loan reporting scheme for banks currently filing the FFIEC 033 and 034 which permits these banks to define for themselves the composition of the general loan categories used in Schedule RI–B, part I. Thus, banks would report past due and nonaccrual information for the following categories of loans and leases: (a) Loans secured by real estate using the current breakdown from Memoranda item 5; [8] (b) loans to depository institutions and acceptances of other banks; (c) loans to finance agricultural production and other loans to farmers (except as noted below); (d) commercial and industrial loans; (e) credit cards to individuals for household, family, and other personal expenditures; (f) all other consumer loans; (g) loans to foreign governments and official institutions, (h) all other loans, and (i) lease financing receivables.

Banks with foreign offices and banks with domestic offices only and $300 million or more in assets would also continue to report past due and nonaccrual information for: (a) Loans secured by real estate to non-U.S. addressees; (b) loans to foreign banks; (c) commercial and industrial loans to non-U.S. addressees; and (d) lease financing receivables of non-U.S. addressees. The agencies would retain the existing Schedule RI–B, part I, reporting threshold for agricultural loans for banks with domestic offices only and less than $300 million in assets. These banks would not be required to report past due and nonaccrual data for ''Loans to finance agricultural production and other loans to farmers'' if these loans are less than or equal to 5 percent of total loans.

(2) The scope of part II would be revised to cover changes in the allowance deleted.for loan and lease losses rather than the entire allowance for credit losses. In addition, similar to the proposal discussed above for Schedule RI–A—Changes in Equity Capital, the agencies would change the manner in which the previous year-end balance of the allowance is reported in Schedule RI–B, part II, so that it better corresponds with its presentation in financial statements prepared in accordance with GAAP. At present, banks report the balance of the allowance as ''originally reported'' in their previous year-end Call Report in item 1. The effects of any amendments to the previous year-end Call Report on the allowance as originally reported are included in item 5, ''Adjustments.'' The agencies are proposing to revise item 1 to eliminate the need to report these adjustments from amended Call Reports in item 5. Thus, banks would report the ''Balance most recently reported'' for the previous year-end allowance for loan and lease losses in item 1.

In addition, banks now filing the FFIEC 034, *i.e.,* banks with domestic offices only and less than $100 million in total assets, would begin to complete Schedule RI–B, part II, quarterly rather than annually as of December 31 for the same reasons cited above in the discussion of quarterly reporting of Schedule RI–A. The principal items that enter into the year-to-date reconcilement of the allowance for loan and lease losses are charge-offs, recoveries, and the provision for loan and lease losses, all of which each bank already reports quarterly. Thus, completing Schedule RI–B, part II, each quarter should not represent a

[8] In addition to the categories of loans secured by real estate in the current breakdown, banks that file the FFIEC 031, i.e., banks with foreign offices, would also separately report their charge-offs and recoveries on loans secured by real estate in foreign offices, but they would no longer separately report their charge-offs and recoveries on loans secured by real estate to U.S. addressees.

significant increase in burden for most banks that file the FFIEC 034.

Schedule RI–D—Income From International Operations (FFIEC 031 only):

(1) In part I—Estimated Income From International Operations, the reporting of interest income and expense by booking location and related adjustments in items 1 and 2 would be streamlined and replaced with items that are more consistent with the approach used in the remainder of part I for international operations. Thus, those banks that are required to complete this schedule would report their ''Gross interest income'' and their ''Gross interest expense'' attributable to international operations. From these two figures, banks would report their ''Net interest income attributable to international operations.'' Because of this streamlined approach, Memorandum items 1 and 2 on intracompany interest income and expense, respectively, would be deleted.

(2) Part II—Supplementary Details on Income from International Operations, which has been collected to accommodate certain data needs of the Departments of Commerce and Treasury, would be eliminated.

Schedule RI–E—Explanations: For all banks:

(1) The requirement that banks itemize and describe significant components of other noninterest income and other noninterest expense in items 1 and 2 would be retained. However, similar to proposals discussed above for Schedules RC–F, RC–G, and RC–L, the agencies propose to add preprinted captions for the most commonly itemized and described categories of other noninterest income and expense. Blank text fields like those presently contained in items 1 and 2 would be retained for noninterest income and expense items not specifically covered in the preprinted captions. Furthermore, the agencies request comment on the current thresholds for itemizing and describing significant components of other noninterest income and other noninterest expense, *i.e.*, 10 percent of the total amount reported for other noninterest income and other noninterest expense, respectively. In particular, the agencies request comment on whether it would be more appropriate to base the threshold for itemizing and describing significant components of both other noninterest income and other noninterest expense on the sum of ''Net interest income'' plus ''Total noninterest income.''

(2) Item 2.a, ''Amortization expense of intangible assets,'' would be moved from Schedule RI–E to the income statement (Schedule RI), where it would be split into separate items for ''Amortization expense of intangible assets (excluding goodwill)'' in the noninterest expense section and ''Goodwill charges.'' This latter item would be reported on a net-of-tax basis and placed after item 10, whose caption would be revised to read ''Income (loss) before goodwill charges, extraordinary items, and other adjustments.'' The ''Goodwill charges'' item would be followed by a new item captioned ''Income (loss) before extraordinary items and other adjustments.'' The agencies are proposing these changes in response to the FASB's proposed accounting standard, Business Combinations and Intangible Assets, which requires this method of financial statement presentation for goodwill charges and the amortization expense for intangible assets other than goodwill. The agencies will monitor the progress of this proposed accounting standard in order to ensure that the presentation of these items in the Call Report income statement conforms to the presentation required by the FASB's final standard on business combinations and intangible assets.

(3) To conform to the changes proposed above for Schedules RI–A and RI–B:

(a) Item 4, ''Equity capital adjustments from amended Reports of Income (from Schedule RI–A, item 2),'' would be deleted.

(b) Items 5, ''Cumulative effect of changes in accounting principles from prior years (from Schedule RI–A, item 9),'' and 6, ''Corrections of material accounting errors from prior years (from Schedule RI–A, item 10),'' would be combined and recaptioned as ''Restatements due to corrections of material accounting errors and changes in accounting principles from prior years (from Schedule RI–A, item 2).''

(c) The scope of item 8 would be revised to cover ''Adjustments to allowance for loan and lease losses (from Schedule RI–B, part II, item 4).''

As the preceding listing of proposed revisions shows, even though the agencies are proposing to reduce the number of different versions of the Call Report from four to two, there will continue to be differences in the amount of information that banks will be required to report to the agencies. These differences are primarily based on whether a bank has any foreign offices (as defined in the Call Report instructions) and on a bank's total assets.[9] For example, Schedule RC–A—Cash and Balances Due From Depository Institutions would be completed by all banks with foreign offices or with $300 million or more in total assets. In some cases, the threshold for determining which banks must report certain information is based on other criteria. For example, to implement a more risk-focused approach to the reporting of trading activity, the agencies are proposing that banks (with foreign offices or with $100 million or more in total assets) that reported a quarterly average for trading assets of $2 million or more (in Schedule RC–K, item 7) for any quarter of the preceding year must complete Schedule RC–D—Trading Assets and Liabilities each quarter of the current year.

However, questions have been raised as to whether using reporting thresholds, other than those based on total assets or other readily available information that all banks must report, is an effective method for exempting banks from reporting certain information in the Call Report and thereby reducing reporting burden. For example, if the agencies ask banks to report the amount of a certain type of asset only if a bank has more than a specified dollar amount of this type of asset, is this less burdensome than simply requiring all banks to report the amount of this type of asset? In other words, what effect would Call Report reporting thresholds of this type have on the reporting burden imposed on individual banks and on banks as a whole?

B. Proposed New Regulatory Capital Reporting Approach

The agencies propose to revise the regulatory capital schedule (Schedule RC–R) by incorporating many of the reporting concepts of the Call Report's optional regulatory capital worksheet as well as some of those contained in the regulatory capital schedule currently filed by bank holding companies on the FR Y–9C report form. Under the agencies' proposal, all banks would be required to complete the entire revised regulatory capital schedule.

In general, the proposed revised format would use a systematic, step-by-step ''building block'' approach under which all banks would report the various components and adjustments that determine Tier 1, Tier 2, and total capital, as well as risk-weighted assets. This means that all bank capital ratios—the Tier 1 leverage ratio, the Tier 1 risk-based capital ratio, and the total risk-based capital ratio—would be derived

[9] Unless otherwise specified, the measurement date for determining whether a bank meets a particular reporting threshold, such as the total assets threshold, is June 30 of the preceding year.

directly from the items that banks report on this schedule. These ratios would also be disclosed in the schedule. To eliminate redundant reporting, the agencies expect that the Call Report preparation software products used by most banks would automatically take, *i.e.*, carry forward, the carrying values of all on-balance sheet asset values and the face value or notional amount of most off-balance sheet items used in the capital calculations from other areas of the Call Report and enter these amounts into the proposed revised schedule. These carried-forward values would function as ''control totals'' and banks would allocate these amounts to the appropriate risk weight categories in accordance with the risk-based capital guidelines.

Currently, banks with total assets of less than $1 billion that have total capital greater than or equal to 8 percent of ''adjusted total assets,'' as defined, need to complete only existing items 1–3.f on Schedule RC–R. All other banks must complete the current version of Schedule RC–R in its entirety. Existing item 3 requires the reporting of the major capital categories—Tier 1, Tier 2, Tier 3, and total risk-based capital—as well as risk-weighted assets and average total assets, which is used in the Tier 1 leverage ratio. The amounts reported in these existing items should be the amounts determined by banks for their own internal capital analyses consistent with the applicable capital standards. These items, *i.e.,* items 3.a through 3.f, are so-called ''self-reported'' capital items. The first part of the proposed revised regulatory capital schedule would essentially replicate the steps that banks are already going through to determine the major capital categories on a ''self-reported'' basis and therefore should not impose significant additional reporting burden. Moreover, to facilitate this proposed step-by-step ''building block'' approach to computing these capital categories, the agencies propose to move a number of items that are collected principally for regulatory capital calculation purposes from their currently scattered locations in other Call Report schedules to their more logical position in the proposed revised capital schedule. For example, the item for ''Deferred tax assets disallowed for regulatory capital purposes'' that is currently collected in Schedule RC–F—Other Assets, would now be included in the proposed revised Schedule RC–R. In addition, existing Schedule RC–R items 2.a and 2.b, which require the reporting of qualifying limited-life capital instruments that are includible in Tier 2 capital, would be collected on a combined basis in the proposed revised schedule.

Existing items 4–9 of Schedule RC–R would be replaced with a format that closely resembles the format of Part 2 of the current Call Report optional regulatory capital worksheet (and portions of Schedule HC–I of the bank holding company FR Y–9C report). Banks' Call Report software would take the carrying values of banks' balance sheet asset categories, as reported on Schedule RC, and automatically carry these amounts forward to column A of the on-balance sheet portion of the proposed revised capital schedule. Banks would then allocate these asset values to the appropriate risk weight categories in accordance with the risk-based capital guidelines to the same extent that they do at present for their own internal capital analyses, which is part of the same process banks currently use when determining net risk-weighted assets for ''self-reported'' item 3.d.(1) of Schedule RC–R.[10] During the allocation, column B of the on-balance sheet portion of the proposed schedule would be used by banks to report assets that are not subject to risk weighting under the capital guidelines. For banks that currently complete Schedule RC–R in its entirety, column B would be equivalent to existing item 8 of Schedule RC–R.

Similarly, banks' Call Report software would automatically take the face value or notional amount of those off-balance sheet items included in the calculation of risk-weighted assets that are reported elsewhere in the Call Report (generally, in Schedule RC–L) and include these amounts in column A of the off-balance sheet portion of the proposed regulatory capital schedule. However, banks would need to separately identify the amounts of their low-level recourse transactions and other financial assets sold with recourse. The Call Report software products would likely embed the credit conversion factors applicable to the various off-balance sheet items into the software for this schedule.[11] The software should then calculate the credit equivalent amount for each off-balance sheet item (column B) by multiplying the face or notional amount by the credit conversion factor. Banks would next allocate the credit equivalent amounts to the appropriate risk weight categories like they do for their own internal risk-based capital analyses.[12] As with the on-balance sheet items, banks must currently follow this same allocation process for their off-balance sheet items in order to complete the calculation of their net risk-weighted assets for ''self-reported'' item 3.d.(1) of Schedule RC–R.

An advantage to this ''building block'' approach is that banks, the agencies, and other Call Report users would be assured that the sum of the amounts allocated to each risk weight category (plus the on-balance sheet items not subject to risk weighting) would agree to the balance sheet total for each asset category and the credit equivalent amount for each off-balance sheet item. This type of approach has been used for many years in the bank holding company FR Y–9C report and, from comments the agencies have received in the past, seems to be the preferred risk-based capital reporting format by bankers who must complete both the Call Report and the FR Y–9C. Furthermore, via the Call Report preparation software products used by most banks, a large portion of the inputs to the proposed schedule's risk-weighting process for both on- and off-balance sheet items would be taken automatically from other parts of the Call Report. These software products should also perform the final calculation of total risk-weighted assets as well as the risk-based and leverage capital ratios reported in the proposed schedule. Thus, the power of the software should help minimize reporting burden.

Overall, the agencies believe that the proposed revisions to the regulatory capital schedule of the Call Report provide a rational, systematic approach to reporting the elements of capital as well as the components of risk-weighted assets. The proposed approach should offer both enhanced and efficient

[10] For risk-based capital purposes, banks are not required to identify each on-balance sheet asset and off-balance sheet item that qualifies for a risk weight of less than 100 percent (50 percent for derivatives). Thus, when completing the proposed revised Schedule RC–R, each bank would decide for itself how detailed an analysis of its assets and off-balance sheet items it wishes to perform and how many of the specific lower risk-weighted items it wishes to identify. In other words, a bank can pick and choose among the asset items and the credit equivalent amounts of off-balance sheet items that have a risk weight that is less than the maximum and risk-weight them accordingly, or simply risk-weight some or all of these items at a 100 percent risk weight (50 percent for derivatives).

[11] For the retained recourse on financial assets sold with low-level recourse, banks would have the ability to apply their institution-specific factors if they use the ''direct reduction method'' for converting low-level exposures to credit equivalent amounts.

[12] For example, if a bank has $100 face value of performance standby letters of credit and the credit conversion factor for these letters of credit is 50 percent, then the credit equivalent amount is $50. The bank would assign the credit equivalent amount of $50 to the appropriate risk weight categories according to the obligor or, if relevant, the guarantor or the nature of the collateral in accordance with the risk-based capital guidelines.

reporting for both banks and Call Report users.

III. Proposed New Information

In addition to streamlining the existing Call Report requirements by eliminating information that is no longer of significant value, the agencies are also endeavoring to improve the relevance of the Call Report by identifying new types of information that are considered critical to the agencies' supervisory data needs going forward. In so doing, the agencies have focused primarily on new activities and other recent developments that may expose institutions to new or different types of risk. The agencies expect that most of the proposed new reporting requirements discussed below will affect a relatively small percentage of banks because of the limited number of institutions that are involved in the activities these reporting requirements address.

Furthermore, by proposing to implement the following new reporting requirements in the same reporting period as the Call Report streamlining changes, banks will be able to make all of the necessary systems changes at one time. The agencies believe that combining these various types of revisions into a single package should result in lower start-up costs and reporting burden for banks from a systems perspective.

The agencies are currently reviewing various provisions of the Gramm-Leach-Bliley Act (Pub. L. 106–102, codified at 15 U.S.C. 6801 *et seq.*), which was signed into law on November 12, 1999. Because of the new affiliations that banks are permitted to have and the new activities in which banks and bank subsidiaries may engage, the agencies may need to implement changes to the Call Report in the future on account of this new law.

A. Subprime Loans

Subprime lending is a high-risk activity that poses increased risk to the institutions involved and to the deposit insurance funds if appropriate safeguards are not in place. Insured institutions have increasingly entered the subprime lending market in recent years, and industry analysts predict that many nonbank subprime specialists will seek to be acquired by insured institutions to take advantage of the relatively less expensive, more stable funding source that insured deposits provide. The exact number of institutions involved in subprime lending is not known with certainty; however, the FDIC has estimated that approximately 150 insured institutions currently have significant exposures in the subprime lending business. Despite a favorable economic environment, a disproportionate number of insured institutions that engage in subprime lending are problem institutions. The estimated number of insured subprime lenders represents just over one percent of all insured institutions, yet they account for nearly 20 percent of all problem institutions.

The actual extent of insured institutions' involvement in subprime lending is not known because there is no periodic reporting of this activity to the banking agencies. The estimates that have been made come from examination data, but the quality and timeliness of the subprime lending data gleaned from examination reports is constrained by inconsistent reporting and by the length of the examination cycle. The issue of timeliness is particularly troublesome from a safety and soundness perspective, since subprime lending tends to be a volume-oriented business that encourages rapid portfolio growth. Consequently, there is no reliable way to regularly monitor individual institutions' subprime lending programs. In several instances, this has resulted in the unexpected and severe deterioration in the condition of an institution from one examination to the next.

Accordingly, the agencies are proposing to add a number of new items to the Call Report on subprime lending. These proposed items would make possible the early detection and proper supervision of subprime lending programs through offsite monitoring procedures. Banks involved in subprime lending would report quarter-end data for the following eight categories of subprime loans in their loan portfolios: (1) Revolving, open-end loans secured by 1–4 family residential properties extended under lines of credit, (2) closed-end loans secured by first liens on 1–4 family residential properties, (3) closed-end loans secured by junior liens on 1–4 family residential properties, (4) loans secured by other properties, (5) credit cards to individuals for household, family, and other personal expenditures, (6) consumer loans secured by automobiles, (7) other consumer loans, and (8) other subprime loans. This information would be reported in new Memorandum items in the loan schedule (Schedule RC–C, part I). Thus, for example, the proposed Memorandum item for subprime closed-end loans secured by first liens on 1–4 family residential properties should contain all subprime loans that are included in Schedule RC–C, part I, item 1.c.(2)(a). Banks involved in subprime lending would also report their past due and nonaccrual subprime loans and the year-to-date charge-offs and recoveries on these loans in new Memorandum items in Schedules RC–N and RI–B, part I. In these two areas, two broader loan categories would be used: loans secured by real estate and loans not secured by real estate.

The quality and validity of the proposed subprime lending information to be collected in the Call Report hinges on a workable definition of subprime lending. Furthermore, subprime loans could be defined on the basis of either (a) loan portfolios or programs that possess certain characteristics or (b) individual loans with these characteristics. Whether the portfolio or program approach or the individual loan approach ultimately is adopted, the agencies are proposing the following definition of subprime loans for purposes of reporting information on these loans in the Call Report:

> Subprime loans are extensions of credit to borrowers who, at the time of the loan's origination, exhibit characteristics indicating a significantly higher risk of default than traditional bank lending customers. Risk of default may be measured by traditional credit risk measures, *e.g.,* credit/repayment history and debt-to-income levels, or by alternative measures such as credit scores. Subprime borrowers represent a broad spectrum of debtors ranging from those who have exhibited repayment problems prior to origination of their loans due to an adverse event, such as job loss or medical emergency, to those who persistently mismanage their finances and debt obligations. Subprime lending does not include loans to borrowers who have had minor, temporary credit difficulties since the origination of their loans but are now current. Subprime loans may take the form of direct extensions of credit; loans purchased from other lenders, including delinquent or credit impaired loans purchased at a discount; and automobile or other financing paper purchased from other lenders or dealers.

The agencies invite comment on all aspects of the proposed new Call Report items on subprime lending. In particular, the agencies seek comment on the proposed definition of subprime loans generally and on the following issues relating to this definition:

(1) Should all individual subprime loans be reported in the proposed new Call Report items or should only those subprime loans that are held in a segregated portfolio or program be reported? Do you foresee any difficulties in reporting individual subprime loans or segregated groups of subprime loans?

(2) Based on the proposed definition of subprime loans above, approximately what percentage of your bank's loan portfolio would currently be categorized

as subprime? Using your bank's own internal definition of a subprime loan, what percentage of your loan portfolio does your bank currently classify as subprime? Please indicate whether these percentages are based on an individual subprime loan approach or a segregated portfolio or program approach. To the extent possible, provide percentages for your bank's loan portfolio under both approaches.

(3) What criteria does your bank use to determine which loans are subprime? Are the criteria the same for all types of loans, *e.g.,* mortgage, automobile, and credit cards? If not, how do they differ?

(4) In defining subprime loans, which factor(s) listed below are the best indicators of a higher risk of default?

(a) Higher loan fees.

(b) Higher interest rates. For example, should all loans made at a contract rate 200 basis points above the rate that is offered to a traditional bank customer for the same type of loan be included as subprime loans?

(c) Debt-to-income ratios. For example, should a loan to a borrower with a specific debt-to-income ratio above a stipulated level automatically be a subprime loan?

(d) Delinquency history. For example, should a loan be categorized as subprime if the customer's credit history at the time of the loan's origination indicates that he or she had two or more payments that were 30 days past due in the last 12 months or had loans charged off in the last 12 months? When would your bank consider that a customer's delinquency history makes that customer a subprime borrower?

(e) Loan-to-value ratio. Is there a loan-to-value ratio above which a loan secured by real estate would be considered subprime?

(f) Credit scores or other ratings. If your bank uses credit scoring to determine whether a loan should be categorized as subprime, are the scores custom or generic bureau scores?

(1) If generic bureau scores were used, below what score cutoff would a loan be considered subprime?

(2) Does the score cutoff differ by loan type?

(g) Bankruptcy status. For example, how far back in the customer's credit history would your bank go to determine whether a bankruptcy should affect your categorization of a loan?

(h) Lack of credit history.

(i) Other factors. Please identify any other factor that should be considered an indicator of a higher risk of default and explain why it should be considered.

(5) Should the definition of subprime be identical for all types of loans, or should it differ by type of loan, *e.g.,* mortgage, automobile, and credit cards?

(6) Can your bank determine from its records whether borrowers with subprime characteristics have credit support (*e.g.,* public or private guarantees, co-signers, and insurance) on specific loans? If yes, do you categorize loans with such credit support as subprime loans?

(7) The proposed subprime loan definition relies on differences between traditional and ''higher risk'' borrowers? How should the agencies take into account shifts in that difference (*e.g.,* what happens if ''traditional'' lending standards drop)?

(8) Should the subprime loan definition distinguish between institutions that target higher risk borrowers as opposed to those institutions that serve a community in an economically disadvantaged area where the repayment ability of area borrowers can be or has been adversely affected?

(9) Should there be a de minimus level of subprime loans below which reporting is not required?

(10) Should smaller institutions be treated differently from larger institutions for reporting purposes?

(11) What types of loans or lending programs, if any, should be excluded from the definition of subprime loans or, if included in the definition, reported separately from other subprime loans? Please explain the reasons for the exclusion or separate reporting.

(12) Should the proposed Call Report items on subprime loans be treated as confidential for a limited period of time in order to give banks time to resolve issues surrounding which loans should and should not be reported as subprime?

Although this proposal would create several new Call Report items, the burden of reporting this information will fall only upon those institutions engaged in subprime lending as it will be defined. Even if the number of banks involved in this activity turns out to be, say, four times the current estimate, these proposed new reporting requirements would affect only 6 percent of the banks that file Call Reports. The agencies would welcome any additional information commenters can provide on the number of banks that are subprime lenders in order to improve the agencies' assessment of the potential reporting burden of this proposal.

B. Bank Securitization and Asset Sale Activities

At present, the Call Report includes several items in various schedules that the agencies use to assess bank involvement in securitization and asset sale activities. The items generally focus on the securitization and sale of 1–4 family residential mortgages and consumer loans. However, over the past few years, the scope and volume of bank asset securitization activities have expanded significantly beyond the traditional 1–4 family residential mortgage and consumer loan areas into other areas, most notably into the areas of home equity and commercial lending. The agencies propose to revise and expand the information collected in the Call Report to facilitate more effective analysis of the impact of securitization and asset sale activities on bank credit exposures. In this regard, the agencies are proposing to introduce a separate new Call Report schedule (Schedule RC–S) that would comprehensively capture information related to bank securitization and asset sale activities.

Under this proposal, banks involved in securitization and asset sale activities would report quarter-end (or year-to-date) data for seven loan categories similar to the manner in which they report their loan portfolios. These data would cover 1–4 family residential loans, home equity lines, credit card receivables, auto loans, other consumer loans, commercial and industrial loans, and all other loans. For each loan category, banks would report: (1) The outstanding principal balance of assets sold and securitized with recourse or seller-provided credit enhancements, (2) the maximum amount of credit exposure arising from recourse or credit enhancements to securitization structures (separately for those sponsored by the reporting bank and those sponsored by other institutions), (3) the past due amounts and charge-offs and recoveries on the underlying securitized assets, (4) the amount of any commitments to provide liquidity to the securitization structures, (5) the outstanding principal balance of assets sold with recourse or seller-provided credit enhancements that have not been securitized, and (6) the maximum amount of credit exposure arising from assets sold with recourse or seller-provided credit enhancements that have not been securitized. A limited amount of information would also be collected on bank credit exposures to asset-backed commercial paper conduits.

For the home equity line, credit card receivable, and the commercial and industrial loan categories, banks would also report the amount of any ownership (or seller's) interests in securitizations that are carried as securities and the past due amounts and charge-offs and recoveries on the assets underlying

these seller's interests. The agencies request comment on whether these proposed items for ownership (or seller's) interests in securitizations should also include seller's interests not in security form that continue to be carried as loans on the balance sheet or whether information on these non-security seller's interests should be collected separately. Expanding the proposal to incorporate data on seller's interests that are not in security form would provide the agencies a complete picture of this element of banks' securitization activities. The agencies also request comment on whether banks are engaging in transactions in which they retain ownership (or seller's) interests in asset securitizations that involve loans outside of the three categories included in the proposal (*i.e.,* home equity lines, credit card receivables, and commercial and industrial loans).

In addition, the agencies request comment on the manner in which banks' internal management reports capture information on asset securitization activities. In particular, do bank management reports primarily furnish information on the basis of whether the bank provides recourse or credit enhancements (which is the basis upon which proposed Schedule RC–S is structured, consistent with the agencies' risk-based capital requirements) or do these reports primarily furnish information on the basis of whether the bank performs the servicing on the underlying assets?

With the collection of this expanded information on bank securitization and asset sale activities, the following existing Call Report items on Schedule RC–L would be eliminated:

(1) For all banks, items 9.a.(1) and (2) on the outstanding principal balance and amount of recourse exposure on first lien 1–4 family residential mortgage loans sold with recourse, and items 9.b.(1) and (2) on the outstanding principal balance and amount of recourse exposure on other financial assets sold with recourse.

(2) For banks filing the FFIEC 031 and 032, *i.e.,* banks with foreign offices or with $300 million or more in total assets, Memorandum items 5.a, 5.b, and 5.c on the outstanding amount of auto loans, credit cards, and other consumer loans that have been securitized and sold (with servicing retained).

In addition, the six items on 1–4 family residential mortgage loan servicing that all banks currently complete on Schedule RC–M (items 4.a through 4.d) would be combined into two items and moved to the proposed new securitization and asset sale activities schedule. These two items would cover residential mortgages serviced for others with credit enhancements and with no credit enhancements. The separate Schedule RC–M item on the servicing of all other loans (item 13), which is currently reported by banks filing the FFIEC 031, 032, and 033, *i.e.,* banks with foreign offices or with $100 million or more in total assets, would be moved to the proposed new schedule and would be applicable to all banks. This servicing item would continue to be reported only if the amount is more than $10 million, but the agencies would eliminate the additional current threshold that it must exceed 10 percent of total assets in order to be reported.

Based on a review of the Call Report information currently collected on assets transferred with recourse, mortgages serviced with recourse, and securitized consumer loans, the agencies estimate that approximately 5 percent of all banks are currently involved in securitization and asset sale activities. Thus, although the proposed new schedule would collect a considerable amount of information on these activities, most banks will not be affected by Schedule RC–S and the increase in reporting burden associated with the schedule's new or expanded information will be confined to a relatively small segment of the banking industry.

On a related matter, the agencies also propose to collect information to facilitate more effective assessments of bank credit and other exposures related to their portfolios of asset-backed securities. Currently, virtually all non-mortgage asset-backed securities are reported in a single Call Report item, *i.e.,* Schedule RC–B, item 5, ''Other debt securities.'' The proposed segregation of specific categories of asset-backed securities from ''Other debt securities'' would promote risk-focused supervision by enhancing the agencies' ability to assess credit exposures and asset concentrations. Under the proposal, banks would report quarter-end fair value and amortized cost information for six categories of asset-backed securities that are currently included in the item for ''Other debt securities.'' The six categories are securities backed by: (1) Home equity lines, (2) credit card receivables, (3) auto loans, (4) other consumer loans, (5) commercial and industrial loans, and (6) all other loans.

C. Additional Categories of Noninterest Income

Noninterest income has grown substantially over the last few years as a source of revenue for banks. For 1999, noninterest income in the aggregate for commercial banks accounted for 42 percent of their net interest income plus noninterest income, 8 percentage points higher than in 1994. Most of this growth in noninterest income has come from new or expanded services provided by banks. A more detailed breakdown of noninterest income would provide the agencies with valuable supervisory information on the amount and type of fee-generating activities within the bank.

Therefore, the agencies are proposing to add several new noninterest income categories to those currently collected in the Call Report income statement (Schedule RI). These categories were selected in part based on a review of noninterest income information currently reported by banks in Schedule RI–E—Explanations. In this schedule, banks must itemize and describe, using their own terminology, their most significant categories of ''Other noninterest income.'' Three of the proposed new income statement categories represent items, or modifications of items, for which specific preprinted captions currently appear in Schedule RI–E (items 1.a, 1.b, and 1.c and items 2.b, 2.c, and 2.d). As a result, these items would no longer be reported in Schedule RI–E.

The categories of noninterest income that would be added as specific items on the Call Report income statement are: (1) Investment banking, advisory, brokerage, and underwriting fees and commissions, (2) venture capital revenue, (3) net servicing fees, (4) net securitization income, (5) insurance commissions and fees, (6) loan and other credit-related fees (not reported as part of interest and fee income on loans), (7) net gains (losses) on sales of loans, (8) net gains (losses) on sales of other real estate owned, and (9) net gains (losses) on sales of other assets (excluding securities). The current income statement item for ''Other fee income'' (item 5.b.(1) on the FFIEC 034; item 5.f.(1) on the FFIEC 031, 032, and 033) would be discontinued. These new noninterest income items would be included on the report forms for all banks. However, in most cases, small banks are not likely to be involved in several of these activities or transactions and, therefore, will be subject to only limited additional reporting burden in this area.

The new noninterest income items would provide greater comparability among the categories of noninterest income currently reported by banks. Some of the proposed noninterest income categories would represent the only information provided in the Call

Report on certain bank activities. By collecting more detailed noninterest income data, the significance of each of these activities can be compared to other income-generating activities of the bank.

Finally, for the limited number of large banks that have $5 billion or more in notional amount of derivatives held for trading, the agencies are proposing to modify the information currently collected on trading revenue by risk exposure (in Schedule RI, Memorandum item 8). In order to distinguish between trading revenue from cash instruments and from derivative contracts, these banks would begin to report their revenue from cash instruments by risk exposure in addition to their total trading revenue by risk exposure.

D. Federal Home Loan Bank Advances

As of year-end 1999, over 5,300 or approximately three fifths of the 8,600 insured commercial banks were members of the Federal Home Loan Bank System. Nearly all of the more than 1,600 thrift institutions, including FDIC-supervised savings banks, also were members. Many commercial banks have joined the Federal Home Loan Bank System in recent years in order to gain a new source of funding. As a result, the volume of Federal Home Loan Bank advances to commercial banks has risen dramatically. The Federal Home Loan Bank System had advances outstanding of $155 billion to about 3,700 commercial banks at the end of 1999 according to aggregate data that the Federal Housing Finance Board (FHFB) supplied to the agencies. These advances represented almost 40 percent of total advances of $392 billion to all Federal Home Loan Bank System members at the end of 1999. Federal Home Loan Bank advances to banks and thrifts are expected to further increase because recent legislation expands the types of assets that institutions can pledge as collateral for advances.

At present, Federal Home Loan Bank advances are reported as part of a bank's ''Other borrowed money'' in the Call Report (Schedule RC, item 16). The aggregate amount of ''Other borrowed money'' at commercial banks has increased significantly over the past few years, growing at a faster rate than the total liabilities of commercial banks. Between year-end 1994 and 1999, aggregate ''Other borrowed money'' more than doubled to $508 billion. Thus, about 30 percent of aggregate ''Other borrowed money'' currently consists of advances from Federal Home Loan Banks. While the agencies have been able to obtain information on advances indirectly through the FHFB and relate it to Call Report data on borrowings, the agencies' future ability to obtain timely and consistent data on advances may be more difficult after the FHFB implements its plan to give the 12 Federal Home Loan Banks more autonomy and reporting responsibility.

Therefore, to improve their monitoring and understanding of individual banks' funding sources, asset-liability management, and liquidity, the agencies are proposing to have banks report Federal Home Loan Bank advances separately from their remaining ''Other borrowed money,'' including the existing three-way maturity breakdown of these borrowings. This would also provide more consistent information on borrowings by banks and savings associations because the latter already report the amount of their Federal Home Loan Bank advances on the Thrift Financial Report.

In addition to Federal Home Loan Bank advances, ''Other borrowed money'' includes other types of nondeposit liabilities to third parties that may be partially or fully secured by bank assets. Examples of these collateralized borrowings include loans sold under repurchase agreements that mature in more than one business day, mortgage indebtedness on bank premises, and borrowings from Federal Reserve Banks. The FDIC is currently evaluating the effect of bank assets that secure borrowings in the context of risk to the insurance funds and the setting of appropriate deposit insurance assessment rates. Accordingly, the agencies seek comment on the existing availability of information in bank records on the collateralization of bank borrowings and the amounts and types of collateral involved. To the extent it is not currently available, comment is requested on the burden associated with developing and maintaining this information. Data on the collateral securing bank borrowings would also enable the agencies to more efficiently evaluate the cost of resolving a failed or failing institution and market it to potential acquirers.

E. Restructured Derivative Contracts

The agencies propose to require that banks with foreign offices or with $300 million or more in total assets report the fair value of derivative contracts carried as assets that have been restructured or renegotiated for reasons related to the counterparty's financial difficulties. This new item would exclude derivative contracts that are 30 days or more past due. The purpose for adding this item is to obtain better and more complete information about the general credit quality and performance of banks' derivatives. Currently, the Call Report collects past due information on these contracts (Schedule RC-N, Memorandum item 4); however, this item rarely shows significant volumes of delinquent derivative contracts because the contracts are often either renegotiated and restructured or charged off before they become more than 30 days past due. Because counterparty credit risk is a significant consideration in the assessment of derivative transactions, information on restructured contracts is important for supervisory purposes and will complement the data that banks already report on past due derivatives and on credit losses on derivatives.

Based on December 31, 1999, Call Report data, less than 500 banks currently report that they have derivative contracts outstanding. Moreover, the seven largest commercial bank participants in the derivatives market hold 95 percent of the notional amount of all derivatives held by commercial banks. Approximately 90 percent of the Call Report information currently collected on derivative contracts is reported by banks with total assets of $1 billion or more. Thus, the burden associated with the collection of the proposed new item on restructured derivative contracts would be concentrated in large banks.

IV. Reporting of Trust Data

The agencies propose to change the manner in which banks report information on their trust activities. Thus, for banks, the agencies would replace the existing Annual Report of Trust Assets (FFIEC 001) and the Annual Report of International Fiduciary Activities (FFIEC 006) with a Fiduciary and Related Services Schedule (Fiduciary Schedule). This new schedule (Schedule RC-T) would become part of the bank Call Report. Under this proposal, banks that have total fiduciary assets greater than $100 million or fiduciary income greater than 10 percent of their combined net interest and noninterest income, as well as all nondeposit trust companies that file Call Reports, would be required to report certain trust information in Schedule RC–T quarterly.[13] This

[13] A number of entities that do not submit Call Reports to the agencies file the existing trust reports. In this regard, savings associations and savings and loan service corporations with trust powers currently file the FFIEC 001. Likewise, state-chartered nondeposit trust companies that are subsidiaries of a bank or savings association, bank holding company, savings and loan holding company, or savings and loan service corporation also file the FFIEC 001. Bank subsidiaries located outside the United States, and bank holding

information includes the number of accounts and the market value of trust assets for eight categories of fiduciary activities and a fiduciary and related services income statement. This group of quarterly reporters would include approximately one-half of the 2,300 institutions conducting fiduciary activities. In the aggregate, these institutions hold more than 90 percent of total fiduciary assets. These institutions would also report data on corporate trust activities, collective investment funds and common trust funds, fiduciary settlements and other losses, and types of assets held in personal trust and agency accounts at year-end only. The remaining trust institutions would report the preceding information, except the fiduciary income statement and fiduciary settlements and other losses, annually as they do at present. The fiduciary and related services income statement and the items on fiduciary settlements and other losses would be treated as confidential information on an individual institution basis, which would maintain the treatment accorded this information in the Annual Report of Trust Assets. The agencies have applied this confidential treatment to this trust income and loss information because these data generally pertain to only a portion of a reporting institution's total operations and not to the institution as a whole.

Collecting certain data in the new Fiduciary Schedule from the larger trust institutions each quarter will provide the agencies with critical supervisory information relating to both national and international fiduciary activities on a more timely basis. This will enable the agencies to identify trends and changing risk profiles relating to fiduciary activities more quickly.

Most of the 51 data items that would be reported quarterly in the Fiduciary Schedule are currently included in the annual trust reports. Modifications have been made to some of the existing items to improve their value and usefulness. An additional 48 data items would only be collected annually in the December 31 report. The total number of separately reportable data items in the proposed Fiduciary Schedule represents a decrease of almost 60 percent in the number of reportable items in the FFIEC 001 and FFIEC 006 combined. Although roughly half of the trust institutions would have a new quarterly filing requirement under which they would report trust data they now report only annually, these institutions should already have a reporting system in place to track this information. In addition, small trust institutions would at most have to provide trust data in 69 items once each year. Thus, the agencies believe this proposal should not produce a significant overall increase in reporting burden for trust institutions.

The agencies are proposing to add the new Fiduciary Schedule to the Call Report instead of retaining separate trust reports in order to facilitate the timely collection and processing of the information. Institutions filing the current annual trust reports generally must submit their reports within 45 days after year-end. Electronically submitted annual trust reports, first allowed for year-end 1998 reporting, have a 75-day filing deadline. By moving the reporting of fiduciary information into the Call Report, the submission deadline for the Call Report would apply to this reporting requirement. Consistent with the proposal discussed in Section V.D. below to shorten the Call Report submission period for banks with foreign offices, the length of time that trust institutions would have for completing the Fiduciary Schedule would be reduced from 45 days to 30 days for most institutions and from 75 days to 30 days for institutions that file electronically.

The agencies invite comment on all aspects of the proposed Fiduciary Schedule. In particular, the agencies seek comment on the following issues relating to this schedule:

(1) Do the proposed criteria for determining which institutions should report quarterly adequately capture those institutions that should report fiduciary activities more frequently than annually because of the extent of their involvement with these activities? If not, what should the criteria be?

(2) What types of difficulties, if any, will institutions encounter in complying with the proposed reduction in the amount of time for reporting trust information in spite of the significant decrease in the amount of data that institutions would be required to report?

(3) Are the categories of trust accounts for which asset and income information would be reported in the proposed Fiduciary Schedule an improvement over the current reporting structure of the Annual Report of Trust Assets (FFIEC 001) and are the proposed trust account categories clear? Is there an alternative categorization of trust accounts for asset and income reporting purposes that would increase the schedule's usefulness?

(4) Is net fiduciary and related services income, as it would be reported in the proposed schedule, a useful performance measure? Is the proposed single item for ''Expenses'' too broad or restrictive to allow for meaningful peer analysis? Should intracompany income credits be included, as proposed, in computing net fiduciary and related services income?

(5) Should individual institution fiduciary income and loss information continue to be accorded confidential treatment with only aggregate income and loss data made available to the public or should the agencies make some or all of this individual institution data publicly available?

(6) What fiduciary-related trends and ratios should be reported in the Bank Performance Report and how should they be presented?

(7) The FFIEC currently issues an annual publication, ''Trust Assets of Financial Institutions,'' containing data reported in the Annual Report of Trust Assets (FFIEC 001). Should the FFIEC continue to produce such a publication and, if so, which types of data from the proposed schedule should the publication contain and how often should the FFIEC publish the data?

(8) The proposed schedule would replace the Annual Report of International Fiduciary Activities (FFIEC 006). The information on fiduciary accounts in foreign offices in the proposed schedule is currently reported in the FFIEC 006, but the agencies have not made the information collected in the FFIEC 006 available to the public. In contrast, the foreign office fiduciary account information in the proposed Fiduciary Schedule would be publicly available. Should the agencies continue to treat this foreign office information as confidential and, if so, for what reasons?

V. Other Issues for Which Public Comment is Requested

A. Subchapter S Bank Dividends Distributed to Cover Shareholders' Personal Tax Liabilities

Approximately 1,300 banks have so far elected Subchapter S status for federal income tax purposes, thereby shifting the liability for the payment of taxes on the bank's taxable income from the bank to its shareholders. As a result, Subchapter S banks typically increase their dividend payments to shareholders to provide them with sufficient funds to cover their personal tax liabilities for their share of the bank's earnings. However, the agencies have not been

companies with subsidiaries or affiliates located outside the United States, that provide trust services at any foreign location currently file the FFIEC 006. This Call Report proposal does not address the trust reporting requirements that would be applicable to these entities in 2001.

fully successful in estimating the effect that Subchapter S status has on a bank's earnings and dividends by adjusting for an assumed tax rate in the Uniform Bank Performance Report (UBPR). This approach has been questioned by bankers at some Subchapter S banks who have felt the results disclosed in the UBPR were inaccurate for their individual institutions. As a consequence, the agencies have found it difficult to make valid comparisons of the dividend rates and after-tax earnings of Subchapter S banks and banks that are subject to federal corporate income taxes, *i.e.*, Subchapter C banks.

For this reason, the agencies are considering whether to add a new Call Report item in which Subchapter S banks would report the dollar amount of dividends being distributed to shareholders to cover their personal tax liabilities for the bank's taxable income. Based on comments made by bankers from some Subchapter S banks, they already determine this dividend amount after consulting with their larger shareholders.

These bankers believe that it would be more accurate for the UBPR to adjust their reported earnings and dividends using these dollar amounts in place of a calculation that applies an assumed tax rate to bank earnings. Therefore, the agencies request comment on:

(1) Whether Subchapter S banks normally perform such an analysis as part of their dividend-setting process,

(2) How these banks determine the amount to distribute to shareholders given the shareholders' differing personal tax positions,

(3) Whether the amounts distributed to cover shareholders' personal tax liabilities are measured consistently from year to year, and

(4) Whether the agencies should add a new Call Report item in which Subchapter S banks would report the amount of dividends distributed to cover shareholders' personal tax liabilities.

B. Reporting of Loan Income and Averages by Small Banks

Banks with domestic offices only and less than $25 million in assets are not currently required to report a breakdown of their total loan income by loan category or their quarterly average for total loans by loan category. This reporting approach for the smallest banks took effect in 1984 and was intended to limit the reporting burden on these institutions at a time when their loan systems were believed to be primarily manual rather than automated. These small banks do, however, report a breakdown of their loan portfolios by loan category as of each quarter-end report date and they also report their past due and nonaccrual loans and their charge-offs and recoveries by loan category each quarter. With the increased use of technology, even by small banks, since 1984, and the requirement to file Call Reports electronically, the reason for exempting banks with less than $25 million in assets from reporting loan income and averages by loan category may no longer be valid.

Removing this small bank exemption would improve the agencies' offsite monitoring capability for these banks, thereby enhancing their risk-focused supervision. The agencies would be able to detect changes in the loan yields for the separate loan categories within an individual small bank's loan portfolio and compare this to changes in the loan volume in those categories and to the yields on these loan categories at peer group banks. This would provide the agencies a means to more promptly identify a small bank's move to higher risk, higher yielding loans. Removing this exemption would also increase the consistency of the information available on bank lending for all banks, which may prove useful to the management of small banks as they evaluate their own institution's performance.

If the exemption from reporting loan income and averages were eliminated for banks with domestic offices only and less than $25 million in assets, these banks would report a breakdown of their total interest and fee income on loans using the following loan categories: (1) Loans secured by real estate, (2) commercial and industrial loans, (3) credit cards to individuals for household, family, and other personal expenditures, (4) other consumer loans, (5) loans to foreign governments and official institutions, and (6) all other loans. In addition, those banks with less than $25 million in assets that have ''Loans to finance agricultural production and other loans to farmers'' (Schedule RC–C, part I, item 3) exceeding 5 percent of total loans would report the amount of income on these agricultural loans. Banks with domestic offices only and less than $25 million in assets would report quarterly averages for: (1) Loans secured by real estate, (2) commercial and industrial loans, (3) credit cards to individuals for household, family, and other personal expenditures, and (4) other consumer loans. Those banks meeting the 5 percent of total loans test would also report a quarterly average for their ''Loans to finance agricultural production and other loans to farmers.''

Thus, the agencies request comment on the merits of eliminating the exemption from reporting loan income and averages by loan category for banks with domestic offices only and less than $25 million in assets. In particular, the agencies request comment on the extent to which these banks' loan systems are automated and on the availability of this loan category information.

C. Eliminating Confidential Treatment for Certain Past Due and Nonaccrual Data

An important public policy issue for the agencies has been how to use market discipline to complement supervisory resources. Market discipline relies on market participants having information about the risks and financial condition of banking organizations. The Call Report, in particular, is widely used by securities analysts, rating agencies, and large institutional investors as sources of bank-specific data. Disclosure that increases transparency should lead to more accurate market assessments of risk and value. This, in turn, should result in more effective market discipline on banking organizations.

Despite this emphasis on market discipline, the FFIEC and the agencies currently accord confidential treatment to the information banks report in Schedule RC–N of the Call Report on the amounts of their loans, leases, and other assets that are past due 30 through 89 days and still accruing (and on the amount of restructured loans and leases that are past due 90 days or more and still accruing or in nonaccrual status). This is the only financial information currently collected on the Call Report that is treated as confidential on an individual bank basis. The agencies publish aggregate data derived from these confidential items. In contrast, the information banks report on the amounts of their loans, leases, and other assets that are 90 days or more past due and still accruing or that are in nonaccrual status has been publicly available since June 30, 1983. Nevertheless, the agencies have not precluded banks from publicly disclosing the past due and restructured data that the agencies treat as confidential, provided individual borrower information is not released. In order to give the public, including banks, more complete information on the level of and trends in bank asset quality at individual institutions, the agencies are proposing to eliminate the confidential treatment for the 30–89 days past due (and restructured) items beginning with the amounts reported as of March 31, 2001.

In addition, the agencies request comment on whether they should also make publicly available the individual bank 30–89 day past due (and restructured) Call Report information for some number of quarters prior to the first quarter of 2001. This would enable Call Report users outside the agencies to better understand the trend of delinquent loans by giving these users current data that they can compare to the 30–89 day past due (and restructured) information for quarters ending December 31, 2000. If prior quarters' data are made publicly available, comment is requested on which past quarter should be chosen as the earliest quarter for which the agencies make these data publicly available, *e.g.,* March 31, 2000, or March 31, 1996.

D. Shortening the Submission Period for Banks with Foreign Offices

Banks are required to submit their Call Reports electronically so that they are received by the banking agencies' electronic collection agent no later than 30 days after the quarter-end report date, *e.g.,* by April 30 for the March 31 report. However, banks that have (or have previously had) more than one foreign office, other than a ''shell'' branch or an International Banking Facility, are permitted an additional 15 days to file their Call Reports, *e.g.,* by May 15 for the March 31 report. These banks with foreign offices have been provided this additional time to complete and submit their reports since at least 1980. This privilege was granted, at least in part, because of the length of time it took these banks to receive information from overseas offices that was needed for Call Report purposes.

The agencies begin using individual bank Call Report data for monitoring and other analytical purposes as soon as the report has been received without waiting for the editing and validation process to be completed. However, for the banks with more than one foreign office, a group that includes the banking system's largest institutions, this process cannot begin until as much as 45 days after the quarter-end report date. Thus, the agencies' monitoring and analysis of risk exposures in individual banks and for the banking system as whole is impeded by the delayed submission of Call Report data by banks with more than one foreign office. Furthermore, with the technological advances over the past 20 years, bank systems have the ability to receive data from overseas offices on a much more timely basis.[14] The 15-day extension also gives banks with foreign offices a comparative advantage over the remainder of the industry that must submit its data within 30 days. The compilation and timely analysis of aggregate statistics on the banking industry's condition and performance also suffers from having to contend with the two different submission deadlines, particularly because the banks whose data are received the latest hold the bulk of the banking system's assets, liabilities, capital, and earnings.

Accordingly, the agencies believe that there may no longer be sufficient justification for banks with more than one foreign office to have a lengthier submission period than other institutions. The agencies are therefore proposing to eliminate the additional 15-day period that these banks have for filing their Call Reports. Banks that would be affected by this proposed change are specifically invited to comment on any difficulties that this change would present.

VI. Request for Comment

In addition to the issues upon which comment has been requested above, comments are invited on:

(a) Whether the proposed revisions to the Call Report collections of information 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 Notice will be shared among the agencies and will be summarized or included in the agencies' requests for OMB approval. All comments will become a matter of public record. Written comments should address the accuracy of the burden estimates and ways to minimize burden as well as other relevant aspects of the information collection request.

Dated: May 22, 2000.

Mark J. Tenhundfeld,

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

Board of Governors of the Federal Reserve System, May 23, 2000.

Jennifer J. Johnson,

Secretary of the Board.

Dated at Washington, DC, this 22nd day of May, 2000.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

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[14] For example, internationally active banking organizations routinely provide the securities markets with consolidated financial information long before their bank subsidiaries with foreign offices file their Call Reports.